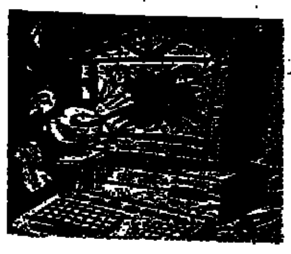
FINANCIAL TIMES



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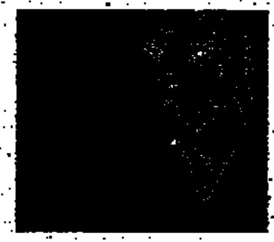

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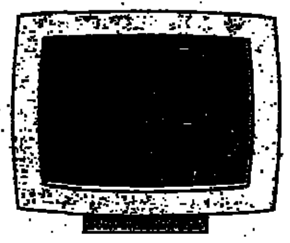

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Death of a bank
The fate of Hill Samuel
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World Business Newspaper http://www.FT.com THURSDAY SEPTEMBER 5 1996

Brussels agrees deal with VW over subsidies

The European Commission agreed a compromise over subsidies paid to Volkswagen, EU competition commissioner Karel Van Miert said. Under the deal, VW will not have to repay subsidies but Germany will freeze an equivalent amount of money due to go to the carmaker. The commission has been at loggerheads with Bonn since July, when Saxony paid Volkswagen DM90.7m ($61.2m) as part of a DM240m aid package blocked by the Commission. Page 12

Brussels seeks wider powers: The European Commission called for exclusive negotiating rights and an end to national vetos over international trade agreements in services and intellectual property. Page 2

Lutine bell marks Lloyd's recovery

Lloyd's of London chairman David Rowland (left) rang the Lutine bell to mark the Department Trade and Industry's acceptance of the last stage of the insurance market's £3.2bn recovery plan. Anthony Nelson, Department of Trade and Industry minister, approved Equitas, a specially created "reinsurance" company into which Lloyd's is transferring about £12bn ($18.7bn) mainly US liabilities outstanding on policies sold before 1993. Page 7

Gazprom plans international issue: Gazprom of Russia, the world's biggest gas producer, is pressing ahead with plans to launch itself on the international capital markets. Market sources suggest it could place up to 1.5 per cent of its shares at a target price of about $400m. Page 13

UK companies hobbled by rules: UK companies are at a competitive disadvantage to European rivals because they have to give more information in their annual accounts, a survey shows. Page 7

Telekom's debts put at $67bn: Investors in Germany's Deutsche Telekom will buy into a company whose capital structure "offers many of the characteristics of a leveraged buy-out", investment bank BZW says. It reports that Deutsche Telekom has debts of $67bn. Page 13

Airbus seeks deal with Saab: Airbus Industrie, the European aircraft consortium, is looking to Saab of Sweden to help develop a super jumbo to compete with Boeing. Airbus says the aircraft will cost $8bn (£5bn) to develop and will carry more than 550 passengers. Page 4

Cadbury Schweppes 12% ahead: UK food and soft drinks group Cadbury Schweppes reported a 12 per cent rise in interim pre-tax profits to £231m ($360m) despite lower profits in Britain. Page 13; Lex, Page 12

DirecTV plans Spanish service: US digital satellite television broadcaster DirecTV is expected to announce today that it plans to launch digital satellite TV in Spain with local and Latin American partners. Page 13

Manila reforms stock exchange: The Philippines stock exchange is to be turned into a self-regulating body similar to the New York exchange, government officials said. Page 12

Japan's government loses popularity: The popularity of Japanese premier Ryutaro Hashimoto's government has fallen eight points since April to 31 per cent, a Mainichi Shimbun newspaper poll shows. Page 4

TNT profits slip: Australian transportation group TNT reported annual profits of A$25.8m (US$20.4m) after tax compared with A$60.1m a year earlier. The company suffered a sharp fall in earnings at Ansett Airlines. Page 13

Manx action against exchange dealer: Garreth Martin Bell, British manager of a Copenhagen-based currency investment company raided by Danish police, is the subject of an injunction preventing him from operating a similar business in the Isle of Man. Page 2

Williams picks Frentzen: German Heinz-Harald Frentzen, 29, was confirmed as the replacement for axed driver Damon Hill in the Williams Renault motor racing team for next season.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,642.84	(-5.55)
NASDAQ Composite	1,142.28	(-0.01)
Europe and Far East		
CAC40	1,984.77	(+13.34)
DAX	2,532.39	(+21.62)
FT-SE 100	3,872.7	(+16.8)
Nikkei	20,201.67	(+3.72)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.311%
Long Bond	95½
Yield	7.109%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	97½	(97⅛)
France: 10 yr OAT	105.63	(105.72)
Germany: 10 yr Bund	98.92	(same)
Japan: 10 yr JGB	100.1779	(100.035)

NORTH SEA OIL (Argus)

Brent Dated	$ N/A	(21.925)

GOLD

New York: Comex		
Dec	$389.7	(390.5)
London:		
close	$385.9	(386.95)

DOLLAR

New York: lunchtime		
£	1.5625	
DM	1.48	
FFr	5.076	
SFr	1.20465	
Y	108.735	
London:		
£	1.5665	(1.5685)
DM	1.4823	(1.4844)
FFr	5.0817	(5.0821)
SFr	1.2055	(1.2079)
Y	108.705	(109.29)
Tokyo close:	Y 109.25	

STERLING

DM	2.3204	(2.3274)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs30	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)	Es285	Turkey	L120,000
Germany	DM4.00	Lebanon	L3500			UAE	Dh13.00

Downturn increases French gloom

Fall in GDP puts the franc under renewed pressure

By David Owen and Andrew Jack in Paris

The French economy contracted more sharply than expected in the second quarter of this year, further deepening the mood of despondency gripping the country.

Figures released yesterday showed a 0.4 per cent decline in second-quarter gross domestic product, against an anticipated fall of 0.2-0.3 per cent.

The statistics added to concern over the economic outlook and prompted renewed pressure on the franc in Paris currency markets.

French stocks, however, shrugged off the news with the benchmark CAC-40 index rising 0.68 per cent to end the day at 1,984.77.

Government ministers played down the significance of the downturn. Mr Alain Lamassoure, budget minister, said government growth forecasts of 1.3 per cent for 1996 were "not yet impossible". The decline in growth was attributed chiefly to lower household consumption and reduced industrial investment.

Mr Alain Juppé, the prime minister, will tell the French nation tonight about his plans for tax cuts. His proposals for cuts of at least FFr20bn ($3.94bn) in 1997 are seen as a last-ditch bid to stimulate consumer spending and improve government popularity.

This received a small boost yesterday when an opinion poll showed a slight improvement in the popularity ratings of both Mr Juppé and President Jacques Chirac.

The Gallup survey in the weekly L'Express put approval for Mr Chirac at 43 per cent in August against 40 per cent in July, and for Mr Juppé at 37 per cent, up from 34 per cent.

Another poll, however, suggested that gloom about the country's economic and social position had risen sharply. The Louis Harris survey indicated that some 62 per cent of French people believed the situation was deteriorating, compared with 44 per cent in the previous poll two months earlier.

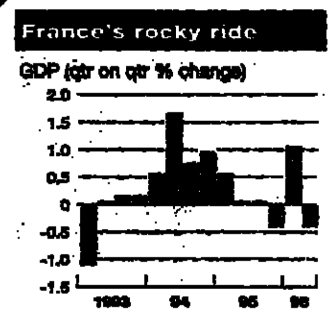
Mr Marc Blondel, secretary-general of the powerful Force Ouvrière trade union, yesterday claimed all the ingredients were there for "a general explosion". The government also came under attack from within the ranks of the ruling centre-right coalition, with Ms Simone Veil, a former health minister, accusing Mr Chirac of betraying promises made in last year's presidential campaign.

In Paris, the franc lost ground, closing at FFr3.4285 to the D-Mark, against FFr3.4235 on Tuesday. In London, however, it declined only marginally, with traders said to be focusing on other issues.

Yesterday's renewed turmoil comes at a time when the country is setting much store by an upturn in economic growth in the second half and beyond. This would enable it to cut its general financial deficit to 3 per cent of GDP in 1997 in line with the Maastricht convergence criteria for European monetary union.

Leader, Page 11

France's rocky ride



Handshake reaffirms Mideast peace goal

Israeli prime minister Benjamin Netanyahu (left) and Yassir Arafat, Palestinian Authority president, shaking hands yesterday at a checkpoint between Israel and the self-ruled Gaza Strip. Although the two leaders announced no breakthrough in any of their main areas of disagreement, the meeting represented a big step forward, as both sides reaffirmed their commitment to peace and co-operation.
Report, Page 6 Picture: AP

Clinton hails 'success' of US strikes on Iraq

By Patti Waldmeir and Jurek Martin in Washington and Chrystia Freeland in Moscow

President Bill Clinton claimed success yesterday for a second wave of US military action against anti-aircraft positions in southern Iraq, as heavy anti-aircraft fire and loud explosions were heard in Baghdad.

Mr Clinton said some Iraqi forces had withdrawn from Kurdish-inhabited areas in the north of the country, apparently in response to punitive attacks by US cruise missiles early yesterday and on Tuesday.

"The mission has been achieved," said Mr Clinton. Iraq's President Saddam Hussein was "strategically worse off" as a result of the US attacks.

"He knows there is a price to be paid for stepping over the line," Mr Clinton told reporters at the White House. "There has been a withdrawal of the [Iraqi] forces, a dispersal of the forces, but it's too soon to say that this is permanent or that further action will not be taken," he added.

US officials denied having provoked the anti-aircraft fire in the Iraqi capital, but they said US aircraft enforcing an expanded no-fly zone further south had been challenged and had destroyed at least one Iraqi weapon system in response.

A Reuter correspondent in Baghdad reported about a dozen large explosions last night and said the ground was shaking in some areas.

Early yesterday, US ships fired 17 cruise missiles at Iraqi anti-aircraft sites, in a follow-up to Tuesday's punitive strike with sea- and air-launched missiles.

The State Department said Iraq should now comply with the no-fly zone, "cease oppression" of the Kurds, comply with United Nations resolutions and withdraw forces to the positions they were in last week before their occupation of the town of Arbil.

Russia yesterday stepped up its criticism of US air strikes, with sharp denunciations from Mr Yevgeny Primakov, the foreign minister, and Mr Anatoly Chubais, the presidential chief of staff.

Mr Chubais, usually one of the most pro-western figures in the Kremlin, called the attacks "very dangerous"

Continued on Page 12
Arbil's stinking streets, Page 6

Olivetti chief seeks to calm investors

By Andrew Hill in Milan and Paul Taylor in London

Mr Francesco Caio, chief executive of Olivetti, last night sought to calm the concerns of shareholders and employees about the future of the Italian computer group after the unexpected resignation of Mr Carlo De Benedetti, its chairman.

Unions yesterday threatened to strike in protest against plans to speed up a restructuring of the company, and one senior manager of the group resigned in disagreement with the way the board had presented poor half-year results.

On Tuesday, Olivetti announced a half-year pre-tax loss of L449.2bn ($290.9m). The operating loss of L80.8bn was worse than many analysts had expected.

In a telephone conference call with analysts, Mr Caio outlined a bright future for Olivetti. But he said the turning point in the loss-making group's recovery had not been reached and 1996 would be the year in which "strategic decisions would be finalised".

Mr De Benedetti resigned on Tuesday night, after falling out with Mr Caio over the strategic direction of the company he had run for 18 years. He indicated he was acting on his earlier promise to resign if Olivetti did not achieve profitability targets set last year, following the the company's L2,257bn rights issue. His holding company, Cir, is Olivetti's largest shareholder.

Olivetti's shares rose sharply

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Europe signs off, Page 10
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War to save Olivetti, Page 16

Morgan Grenfell informed of fund fears a month ago

By Nicholas Denton, John Gapper and Roger Taylor in London

UK regulators and Morgan Grenfell Asset Management learned a month ago of concerns about a broking firm with close links to three suspended investment funds managed by MGAM, it emerged yesterday.

Inquiries leading to the discovery of misvaluation of unit trusts managed by Mr Peter Young were started in April by the Securities and Futures Authority, which in July alerted the Investment Management Regulatory Organisation.

Morgan Grenfell yesterday gained a high court injunction to freeze the assets of Mr Young, who was suspended from his job on Monday as manager of two of the funds as a result of inquiries by regulators and his own employers.

Trading in the three funds, including two unit trusts, is due to resume this morning after Deutsche Bank, the owner of MGAM, injected £155m ($241.80m) into the troubled funds in order to restore confidence among 90,000 investors.

The SFA originally started to examine a small London-based broker called Fiba Nordic Securities in April as a result of disquiet over a $70m private placement managed by Fiba for a oil extraction company in New Mexico called Solv-Ex.

The SFA examination of Solv-Ex led it to inquire into the funds managed by Mr Young, including MG European Growth funds. Fiba was one of the main brokers to the fund, as well as supplying valuations of unlisted securities.

The SFA alerted Imro to its disquiet a month ago, and MGAM was informed. Imro is thought to have kept a "watching brief" on MGAM and the funds until last Thursday, when the firm found evidence of an apparent misvaluation of securities.

The first of two injections of cash by Deutsche Bank, which was only disclosed on Tuesday night following the suspension of the funds on Monday, occurred on Friday while the three suspected funds were still trading publicly.

The US Federal Bureau of Investigation is thought to have been taking part in a linked US investigation into possible manipulation of Solv-Ex shares by US brokers.

Background reports........Page 17

The Securities and Exchange Commission has also been involved. Mr Stephen Chance, managing director of Fiba Nordic, said that the firm was not being investigated by the SEC. He added that it had "offered to help" the SFA to discuss its role in the placing of Solv-Ex securities with investors.

Mr Eric Langaker, a director of Fiba, said that it played a legitimate role in selling securities to funds managed by Mr Young. He said Fiba has not played any role in the apparent mispricing of some unlisted securities.

Imro said last night that it had "no reason to suspect any problems at Morgan Grenfell" when it was first alerted.

The body had spent several weeks "putting together sufficient information" to identify if there were problems.

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NEWS: EUROPE

Brussels seeks control of trade deals

Commission makes play for exclusive negotiating rights over services and intellectual property

By Lionel Barber in Brussels

The European Commission yesterday called for exclusive negotiating rights and an end to national vetoes over *international* trade agreements in services and intellectual property, raising the stakes in the Intergovernmental Conference (IGC) reviewing the Maastricht treaty.

The Commission said its bid for wider powers as well as more majority voting would strengthen the EU's weight in trade policy in relation to the US and Japan, but it has already provoked opposition among sovereignty-conscious member states led by Britain and France.

"This is a matter of trust," said a senior Commission official yesterday. "If member states are not willing to agree to a limited transfer of powers in trade policy, it does not bode well for the rest of the IGC."

Mr Marcelino Oreja, EU commissioner, presented a formal request to extend the Commission's authority over services and intellectual property at a meeting of high-level representatives to the Maastricht treaty review conference (IGC) in Brussels on Tuesday. Sir Leon Brittan, EU trade commissioner, is also making the case in national capitals.

But representatives of the big countries such as Britain, France, Germany, and Spain reacted coolly, fearing a backlash from national parliaments wishing to preserve veto rights.

The Commission proposal would extend its writ under Article 113 of the treaty of Rome. The clause gives the EU – through the Commission as negotiator – sole authority to conclude multilateral agreements on trade in goods, reporting regularly to the Council of Ministers.

Article 113 offers only shared responsibility in services and intellectual property, making it hard for the EU to speak with one voice in fast-growing industries such as telecommunications. Since almost all international trade deals involve services, national member states have de facto blocking powers over the whole negotiation, according to the Commission.

In the name of consistency, the Commission wants to extend Article 113's writ to areas such as services which are covered by the World Trade Organisation, following final conclusion of the GATT Uruguay Round in spring 1994.

In November 1994, the European Court of Justice in Luxembourg rebuffed a bid by the Commission seeking retrospective recognition that the GATT deal was a matter of exclusive EU responsibility.

Under President Jacques Santer, the Commission has taken a cautious approach to the IGC avoiding accusations of Brussels power-grabs. But Mr Santer is determined to fight for a limited extension of EU-wide powers in what he considers are "core" responsibilities such as trade policy.

Aides argue that reforms must take place if the EU is to act effectively in the light of pending enlargement to central and eastern Europe. But they concede that the IGC is moving slowly, with little concrete discussion of how to run an EU of more than 25 members.

This week's IGC bargaining session was the first since the summer recess under the chairmanship of the Irish presidency which hopes to hammer out a draft for a revised European Union constitution by the end of November.

Yeltsin lands new blow on Lebed

By Chrystia Freeland in Moscow

President Boris Yeltsin pointedly undermined his security chief, Mr Alexander Lebed, yesterday just a few days after the latter had concluded a breakthrough peace accord in Chechnya.

Mr Yeltsin, who has repeatedly refused to meet the former general – his envoy to Chechnya who is due to return there today – yesterday awarded a national medal to, and heaped praise on, General Anatoly Kulikov, the interior minister. Gen Kulikov is one of Mr Lebed's chief rivals and a man he has blamed for the Chechen war.

In the chess game of Kremlin politics, the move represented a serious attack on Mr Lebed, who last month threatened to resign unless Gen Kulikov was sacked for his alleged role in dragging out the war.

The president's oblique offensive was also underscored by the ambivalent comments of Mr Anatoly Chubais, the Kremlin chief-of-staff. A liberal politician who is admired by western governments, Mr Chubais yesterday offered decidedly faint praise for the peace agreement Mr Lebed negotiated over the weekend. He warned that it must not be allowed to weaken the territorial integrity of the Russian federation. "One cannot say entirely that Lebed destroyed Russia and signed a capitulation, but one also cannot say that Lebed deserves to become a national hero," he said.

These veiled attacks are one expression of the turmoil which Mr Lebed's unexpectedly successful peace initiative has unleashed within the leadership.

Although the president himself has described the Chechen war as his biggest mistake, the Kremlin's desire to end it is balanced by the ruling establishment's fear that the deal could make Mr Lebed unbeatable in the next presidential elections.

That concern has led to some bizarre political shifts which have all but abolished the division between liberal reformers and xenophobic hardliners whose struggle for power was previously seen as the dominant conflict in Russian politics.

Today, it is Mr Lebed, a tough talker derided as a dangerous anti-Semite and nationalist by many of Russia's liberal politicians, who is the strongest champion of ending the fighting.

Liberal politicians such as Mr Chubais and Mr Victor Chernomyrdin, the prime minister, credited with opposing the war from the outset, have suddenly become much more cautious.

Even the defence ministry, usually viewed as a preserve of fairly bellicose, Soviet-style thinking, appears to be swept up in this week's political upheavals. A senior Russian general, speaking privately, said yesterday that most of the army backed Mr Lebed's deal. "Let those who want the war to continue go out there and fight. We are tired of dying," he said.

The Russian government appeared ready yesterday to scrap a controversial new tax on all deposits in, and withdrawals from, personal bank accounts, after a public outcry and a run on deposits, writes Chrystia Freeland.

Mr Anatoly Chubais, the Kremlin chief-of-staff, said the government was likely to amend the law. "If, as a result of this [the decree], there is a massive withdrawal from Russian banks then this is a mistake and it must be corrected," he said. However, he argued that the law's intention was good and, properly interpreted, would not lead to the double and triple taxation which its critics claimed.

Aimed at boosting low levels of revenue collection, the tax decree has been furiously attacked by the media and business leaders who warn that its vague wording could lead to the taxation of all movement of money in and out of bank accounts.

The Russian business community is likely to welcome the announcement, and also a suggestion by Mr Alfred Kokh, head of the State Property Committee, that a controversial loans-for-shares privatisation scheme was likely to be extended. Analysts predicted this would allow the lucky participants in the original arrangement to consolidate their control over some of Russia's prize blue-chip companies. The programme has been accused of transferring valuable state companies cheaply to government insiders.

Chernobyl is target of energy study

By Kevin Done in London and Matthew Kaminski in Kiev

The European Bank for Reconstruction and Development and the European Commission have ordered an independent study of the energy sector in Ukraine as part of western efforts to secure closure of the Chernobyl nuclear power plant by 2000.

The group of seven leading western industrial countries are applying growing pressure on the EBRD to play a lead role in financing the $1bn completion of the 1,000 MW Khmelnitsky 2 and Rivne 4 nuclear reactors, which Ukraine is insisting on as part of the price for agreeing to close the stricken Chernobyl plant.

Two of the four reactors at the Chernobyl site, scene of the world's worst nuclear disaster 10 years ago, are still in operation accounting for around 5 per cent of Ukraine's power generation.

The EBRD, which faced protests over its planned involvement in financing completion of two nuclear reactors at Mochovce in Slovakia close to the Austrian border, is a reluctant participant in the Ukraine project. Its leading shareholders in the G7 have told it they "expect" its "active engagement in securing" financing of the completion of Khmelnitsky and Rivne.

The bank is insisting that the Ukraine project must meet its general "sound banking" principles for lending and in particular that it complies with its policy for participating in the nuclear sector.

Having been attacked by environmental groups for the partiality of the studies it commissioned on the Mochovce project, the EBRD was at pains yesterday to emphasise the independent nature of the Ukraine study.

It has asked a panel of international experts to assess Ukraine's current and future energy needs and explore possible energy saving measures as well as power generation options, and to report by November.

The bank is insisting it could only go ahead with funding completion of the two reactors if the project was shown to be part of the least cost option for meeting Ukraine's energy needs.

The analysis, which is being funded by European Union and US government aid agencies, would determine whether completing the two reactors "to internationally recognised safety standards" was "economically justified".

German Chancellor Helmut Kohl yesterday endorsed "fulfilling all the conditions" agreed with Kiev for closing Chernobyl during a visit to Ukraine.

Jews slowly recover lost civic assets

A worker races to complete restoration before Europe's largest synagogue reopens Reuters

An ornate Budapest synagogue reopens amid compensation concern, writes Virginia Marsh

Workers have this week been clearing *the last debris* behind Europe's largest synagogue, finishing re-gilding its elaborate interiors and tidying the gravestones in the adjacent Cemetery of Heroes.

Today Budapest's Dohany Street synagogue, an ornate brick building, topped with onion-domed towers, reopens after a $9m restoration project.

The synagogue – which seats 3000 – was completed in 1859 when Hungary's Jewish population was growing rapidly and was among the most assimilated and prosperous in Europe. In 1910 the Hungarian community peaked at 900,000, and one in five inhabitants of Budapest was Jewish. Now it numbers just 100,000, though it is the largest in the former East bloc.

After the Nazis occupied Budapest in 1944, Jews were confined to a ghetto behind Dohany street and the bombed synagogue was used as a depot for those sent to the concentration camps. In the Communist era, the synagogue *fell into increasing* decay.

While the synagogue's restoration has been funded primarily by the government, state compensation to the Jews for their losses in the war and the fascist period that preceded it remains a *contentious issue half a century* after Hungary was "liberated" by the Soviet army.

The Soviet-backed regime that took over in 1948 ignored post-war compensation agreements and quickly embarked on purges and property seizures of its own.

The country's post-communist rulers have already *compensated most Jewish* and other individuals who were persecuted or lost property in the fascist and communist eras. But only after pressure from the US and from international Jewish organisations did the authorities this summer reach pre*liminary agreement* with the community on group compensation.

Among the provisions of the agreement – which is to be discussed in parliament shortly – are life annuities for Holocaust survivors and the establishment of a foundation to support the community. Most of the details, including the state's financial settlement to the foundation, have still be worked out and analysts predict protracted wrangling.

"Only about 5 per cent of our community's claims have been resolved; other religious groups have fared much better because they are stronger," says Mr Peter Feldmajer, president of the Confederation of Jewish Communities in Hungary.

One reason the community insists on a separate settlement is that compensation for some property losses can only be claimed by individuals, their spouses or offspring. In the case of the Jews, entire families were often wiped out.

Mr Feldmajer estimates that Jews without heirs lost properties worth about $3bn at present prices. This is on top of factories, businesses, jewellery and other assets.

Equally, because the com*munity is small and has lim*ited funds, it has been unable to reclaim all its former communal buildings. In the communist era, religious groups were generally allowed to retain places of worship – though many were sold because they were unused or expensive to maintain. But they had to hand over schools, hospitals and old people's homes to the state. Some have been returned but only to former owners with the resources to run them.

As part of the recent agreement, the community hopes it will be given buildings for its own use as well as properties that can generate rental income to support the revival of Jewish life and culture.

Around 1,000 children *already attend* the capital's three Jewish schools, up from around 40 a year at one small secondary school in the communist era, while the Jewish museum, part of the Dohany Street complex, is one of the city's most visited.

In pressing for compensation, Jewish leaders have had to balance the community's needs and desire for jus*tice against the danger of* exacerbating anti-Semitism through excessive claims at a time of great economic hardship. Even though fewer than 200,000 Jews remain in the former East bloc, compared to about 5m before World War II, anti-Semitism has resurfaced and synagogues and cemeteries in many countries have been vandalised.

International Jewish organisations hailed this summer's agreement as a model for the region. Local leaders are less sure, partly because in many other ex-communist countries Jewish communities are very small.

Ironically, the fact that *Hungary fought on the side* of the Nazis before the 1944 occupation gives the country's Jews a better legal case for compensation than Jews in other countries.

Ms Erika Planko, who deals with the matter at the justice ministry, says the 1947 Treaty of Paris between Hungary and the Allies insisted that Hungary compensate Jews individually and as a group.

"Hungary was treated differently to countries like Poland and Czechoslovakia that were conquered early on by the Nazis," says Mr Feldmajer. "It was forced to make specific commitments in an international pact. This has been an important factor for us."

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Nordex linked to German company

By Clay Harris and Krishna Guha in London

The British manager of a Copenhagen-based currency investment company raided last week by Danish police is the subject of an injunction preventing him from operating a similar foreign exchange business in the Isle of Man.

The Manx action against Mr Garreth Martin Bell *makes the first direct* link between Nordex Denmark, the company closed last week after investors claimed they had lost millions of kroner in high-risk foreign exchange deals, and Laurion, a German-based company touting a similar scheme to *private investors throughout* Europe.

Injunctions were issued in July in the Chancery Division of the High Court of Justice against Mr Bell and Laurion Technical Advisors, a nominee company set up to provide "technical support", after Laurion failed to apply for a licence necessary to conduct investment business on the island. Mr Bell's whereabouts are not known.

Laurion is one of the latest examples of companies offering private investors the opportunity to make heavily leveraged trades – typically 20 to 50 times their initial deposit – on the "rolling spot foreign exchange" market.

As the sector has attracted increasing scrutiny from financial regulators and police authorities in the UK and Denmark, dealers have moved operations to other countries, such as Germany, which do not regulate their activities.

Through direct mail, Laurion (Europa), a Hamburg-based company, invites investors *to* trade $1m (£600,000) on an initial investment of only $20,000.

Since February, companies offering foreign exchange deals in the UK of the type being promoted by Laurion have required authorisation by the Securities and *Futures Authority.*

The requirement also applies to companies selling into UK from other countries, the Securities and Investment Board, the City's chief watchdog, has indicated. The SIB said: "Laurion has been drawn to our attention and is under consideration".

Laurion's "principal office" in Hamburg undertakes "client liaison". Its managing director is listed as Mr Oliver Killian of Copenhagen. Trading support and account administration – until the July injunction – were to be handled by two Isle of Man companies but dealing administration *by a company in Zurich.*

British recipients of Laurion's solicitations are invited to reply to an office in Barcelona. The Oslo-based business magazine Okonomisk Rapport says approaches to Norwegian investors from agents in Hamburg or Barcelona *have led* to contracts with Manx or Swiss companies. Laurion seems reluctant to approach potential clients from within their own country.

Calls to Laurion's head office in Hamburg yesterday were put through to a "salesman" who said he was not equipped to answer questions.

EUROPEAN NEWS DIGEST

French fashion trade in deficit

The reputation of France as a fashion centre received a blow yesterday when the women's clothing organisation announced a trade deficit for only the second time. Exports fell 3 per cent to FFr10.2bn ($2bn) for the 12 months to April while imports jumped 8.6 per cent to FFr11.3bn.

The worst result was in sales to *other European* countries, which fell by 7.1 per cent. Exports to south-east Asia grew by 8.6 per cent, but only by 1.8 per cent to the US in spite of its relatively healthy economy. Mr Gerard *Roudine*, chairman of the federation women's ready-to-wear, blamed economic problems in Europe and the strength of the franc.

But he also conceded that it was "a paradox in the country of fashion" that the French spent relatively little on clothes. Latest available *figures – for* 1994 – show they spent just over 5 per cent of household budgets on clothing, compared with 8.6 per cent in Italy, 7.8 per cent in Belgium, 7.3 in the US and Britain, and 6.9 in Japan.

Mr Roudine said May had been a "calamitous" month for women's clothing because of poor weather. Sales had fallen 8.7 per cent compared with the same month last year. *Andrew Jack, Paris*

Shop hours deal in Bavaria

The Bavarian employers' organisation and trade unions have agreed a package to compensate workers for working longer hours, bringing a contentious wage round in the German retail sector closer to an end. A recent change in the law will allow German stores, from November, to open until 8pm on weekdays, as opposed to 6.30pm now, and 4pm on Saturdays.

Under the Bavarian deal, retail employees will receive a 1.85 per cent pay rise and a 20 per cent surcharge for hours worked beyond current closing times. It is modelled on a deal struck in Rhineland-Palatinate, except that, once a month, Bavarian employers will not have to pay a Saturday surcharge. The state's employees, in turn, secured some small concessions. The retail wage talks will continue in other parts of the country, but the agreements in the two states have set a framework *for those negotiators.* *Wolfgang Münchau, Frankfurt*

Russia expels Swedish 'spies'

Two Swedes, a businessman and a senior diplomat, have been expelled from Russia accused of spying, the Swedish state news service has reported.

It said an employee of Celsius Tech, the Swedish defence company, had been arrested in February after allegedly being caught receiving film of *secret documents* from a Russian contact in St Petersburg. The Swede, named as Mr Hans Peter Nordström, was accused of paying $2,000 for the package. Mr Nordström, who was not in Sweden yesterday, denied the charges, saying he had been in Russia on private business and had been "tricked".

Mr Boris Kostenko, spokesman for Russia's Federal Security Service, told the Russian Interfax news agency that Mr Nordström was a Swedish military intelligence agent who also had a high-ranking contact at the Swedish embassy in Moscow. The Swedish foreign ministry refused to comment, or to confirm that a diplomat had been *expelled.* *Greg McIvor, Stockholm*

Polish minister sacked

Poland's foreign trade minister, Mr Jacek Buchacz, was sacked yesterday, rekindling tensions between the two parties in the coalition. A government statement said Mr Buchacz, 48, had lost his job after official probes revealed an improper blurring of public and private interests in the granting of export guarantees.

Leaders of Mr Buchacz's Polish Peasant party (PSL) and the larger ex-communist Democratic Left Alliance (SLD) held a crisis meeting in Warsaw after the announcement. *One PSL deputy* said his party had *not* been consulted about the sacking which he said was an SLD move to break up the coalition and prompt an early general election. *Reuter, Warsaw*

New Bulgarian candidate

Bulgaria's governing Socialists have named Mr Ivan Marazov, culture minister and an art historian, as their candidate in presidential elections on October 27, after the Supreme Court blocked the candidacy of Mr Georgi Pirinski. Mr Marazov, 54, had been Mr Pirinski's vice-presidential candidate in the campaign.

Ms Irina Bokova, who has been deputy foreign minister responsible for relations with the European Union, will be candidate for vice-president.

The Supreme Court objected to Mr Pirinski, current foreign minister, because he is not Bulgarian-born. He spent his early childhood in the US. *Reuter, Sofia*

Portuguese rail strike over

A *strike* by Portuguese train drivers which paralysed rail transport for six days has ended following agreement between the union and the country's state railway company, Caminhos de Ferros Portugueses. Normal services resumed yesterday. The company agreed to improve career structures, set a nine-hour limit to the working day and to provide 45-minute rest periods between journeys. *Reuter, Lisbon*

Treaty gets the go-ahead

Hungary and Romania are to sign their much delayed bilateral treaty, a prerequisite for Nato and European Union membership, on September 16. Several years of negotiations between the two historic rivals produced a compromise agreement last month. But the treaty, which recognises borders and guarantees minority rights, has provoked bitter criticism inside both countries.

Nationalists in Romania say it gives too many rights to the country's 1.7m ethnic Hungarians; opposition politicians in Budapest say provisions for the minority are insufficient.

The timing of the treaty has also been attacked in Hungary and by the Hungarian minority on grounds it will boost Romania's governing Party of Social Democracy, the former Communists, in advance of November's general elections. The party, which is struggling to win power again, this week ditched its virulently anti-Hungarian coalition partner, after governing for the past four years with the help of three extremist parties.

Analysts say agreement on the treaty has further *isolated* Romania's ethnic Hungarian party, which has been in opposition since the overthrow of the Ceausescu regime in 1989. *Virginia Marsh, Budapest*

■ Germany's spending on social security rose 4.7 per cent to a record DM52.1bn ($35.4bn) last year, reflecting the growing number of elderly and unemployed. Spending on the old and handicapped was DM33.3bn, while other income support totalled DM18.8bn. Germany also spent DM5.5bn funding asylum-seekers, a fall of 1.7 per cent on 1994. Mr Horst Seehofer, health minister, said the figures underlined the need to reform the national health service.

■ New orders for German manufacturing industry rose *0.6 per cent in July, bolstering* hopes that second quarter growth will carry over into the third quarter. But analysts warned that growth would be slower than in the second quarter, when manufacturing orders rose 3.8 per cent over the previous quarter. Domestic demand was weaker in July, falling 2.9 per cent compared with a 5.2 per cent increase in June.

Colombia to make rich buy arms bonds

By Timothy Ross in Bogotá

The Colombian government intends to force companies and rich individuals to buy bonds to pay for equipment the armed forces need to meet the latest guerrilla offensive.

The government has sent a bill to Congress that is intended to raise 440bn pesos ($422m) from 355,000 contributors. Under the bill all companies with capital over $88,000 will have to buy bonds to the value of one half per cent of their capital. Individuals will have to buy bonds for half a per cent of their wealth over $88,000.

Finance Minister José Ocampo says coercive measures will be used to ensure the bonds are purchased, with interest charged on late payers and the property of defaulters embargoed.

The bonds will be redeemable in five years, but the interest rate of 6 per cent is far below current inflation. The Central Bank inflation target for 1996 was set at 17 per cent and for next year at 15 per cent, but inflation is now running at 21 per cent, and at this rate the bonds would lose about half their real value.

This has drawn criticism from business leaders, who claim the war bond proposal is a disguised form of extra taxation. The government has tried to sweeten the deal by proposing that the bonds can be used to purchase properties confiscated from drug traffickers at a 20 per cent discount.

President Ernesto Samper says the revenues raised will be spent on helicopters, modern communications equipment and improving intelligence gathering.

The military's ability to respond to the guerrilla offensive that started last weekend has been found to be seriously deficient. Road traffic through large areas of the country is still paralysed by rebel roadblocks.

The Colombian army has no airborne rapid reaction units to reply to guerrilla attacks. General Harold Bedoya, the army commander, says he sometimes has had to hire civilian helicopters to transport his troops. When the rebels overran a jungle warfare battalion last Friday night, killing 30 and taking 60 soldiers prisoner, it was 18 hours before reinforcements arrived.

Guerrillas have taken over cocaine and heroin production in most of the eastern plains, southern jungles and south-western mountains, generating income for their war chest estimated at more than $1.2bn a year, in addition to $300m from kidnapping and extortion.

Car workers pick Ford to negotiate on pay

By Richard Waters in New York

Ford Motor has been picked as the focus for the United Auto Workers union's attempts to hammer out a new labour agreement for the US automobile industry, putting the company at the centre of the country's most keenly awaited labour negotiations of the year.

The union's decision to negotiate with Ford, rather than rivals General Motors or Chrysler, came as a surprise and was seen in part as an attempt by the union to avoid an all-out confrontation with manufacturers this autumn.

Under the industry's traditional bargaining arrangements, the union targets one company for negotiations and then seeks to apply the agreement to the other two manufacturers. That process has been disrupted this year, though, by a new, low-key approach under its recently-appointed leader, Mr Stephen Yokich.

The union first delayed its choice of manufacturer, leaving little more than a week for discussions before the current three-year agreements expire on 14 September. Also, it has continued to negotiate with General Motors and Chrysler independently, and yesterday played down the significance of selecting Ford.

"There's a kinder, gentler union this time around," said Mr David Healy, an analyst at Burnham Investment Research. "The likelihood of a prolonged strike this time around are pretty low," he added, since the three manufacturers and the union were close to agreement on issues such as wages and benefits.

The choice of Ford also seemed to indicate a desire to avoid another confrontation with General Motors, following a strike in March. The US's largest automaker has indicated it wants concessions from the union to let it contract out more work to lower-cost, often non-unionised suppliers.

Because of this, the UAW had been widely expected to target Chrysler – a company that has less need to shift more work to outside suppliers – for its negotiations. Ford, on the other hand, represents a middle course. The company, whose relations with the union have traditionally been better than the other two companies, already uses outside suppliers to provide more of its parts than GM does, though less than Chrysler.

Canada's strength, Canada's pain

Bernard Simon on why economists are full of confidence while the people feel the strain

Ask the average Toronto or Montreal resident about the state of the Canadian economy and the response is likely to be a long face and an unhappy mutter. Unemployment has stuck above 9 per cent for six years in a row. Corporate "downsizing" remains an everyday occurrence and its victims have fewer social-security benefits on which to fall back.

Ms Sue Cox, director of Toronto's Daily Bread food bank, estimates that demand for food parcels is 50 per cent higher than a year ago. "It looks pretty dismal," Ms Cox says. Her agency alone hands out 90,000 hampers a month.

This gloomy picture has been underlined in recent days by Statistics Canada, which reported that real domestic product grew at an annual rate of only 1.3 per cent in the second quarter, well below forecasters' expectations. Consumer spending was flat and business investment, especially in inventories, fell markedly.

But economists see recent trends in a different light. Richardson Greenshields, a Toronto-based securities firm, responded to last Friday's data with a gushing report titled: "Canada: New G7 leader... Resurrection and Redemption."

Its upbeat assessment was spurred by news of a record merchandise trade surplus in the second quarter and the first current account surplus in 12 years.

The strong balance of payments performance is partly because of a significant improvement in Canada's competitiveness. Canadian business is in the throes of a far-reaching – and at times painful – restructuring caused by the pressures of the North American free trade agreement (Nafta), diminishing government intervention in the economy, and the protracted slump in domestic demand.

Comparisons with the US economy put Canada in an increasingly favourable light.

Canada's inflation rate in June was 1.2 per cent, compared with 2.8 per cent south of the border. Unit labour costs in Canada have grown more slowly than any other G7 country for the past six years. The economy still has a good deal of spare capacity, encouraging forecasts that inflation will remain muted for some time.

Ottawa has also been more successful in putting its fiscal house in order. Government budget deficits as a percentage of GDP have contracted by 4.5 percentage points in Canada over the past four years, compared to only 2.5 points in the US.

The Liberal federal government has moved to the right since it was elected in 1993, renewing privatisation, clamping down on government spending and putting a lid on transfers to the provinces for health, education and welfare. It has pledged to eliminate its borrowing requirement by the 1998-99 fiscal year. Mr Paul Martin, finance minister, said last week he had no intention of being distracted from the attack on the deficit by offering tax reductions, as some of his conservative opponents have urged.

Seven out of 10 provinces produced budget surpluses this year. The two biggest provinces, Ontario and Quebec, are chopping spending with the aim of balancing their books within the next five and four years, respectively.

These trends have not gone unnoticed in financial markets. Domestic short-term interest rates fell below US levels in February, and the discount has steadily widened. The Bank of Canada has lowered interest rates five times this year without waiting for a lead from the Federal Reserve in Washington.

Canadian banks now charge a prime lending rate of 5.75 per cent, compared to 8.25 per cent in the US.

Mr Andrew Spence, chief economist at Citibank Canada, says Canada is starting to benefit from a "virtuous circle", with falling debt-to-GDP ratios leading to improved credit ratings and lower interest rates. The overall government deficit to C$20.9bn ($15.3bn) in the second quarter from a C$58.5bn peak in mid-1993.

On the rare occasions that the central bank has tried to pursue an independent monetary policy in the past, it has quickly been brought to heel by a run on the Canadian dollar. Not this year. The currency has hovered around 73 US cents for most of 1996. Economists are almost unanimous in forecasting a stronger currency over the next few years. Some also predict a further narrowing in the spread between long-term US and Canadian interest rates.

ScotiaMcLeod, a securities firm, said in a recent commentary that "the Canadian dollar has the best set of fundamentals we have seen in 20 years". It expects the dollar to rise to just above 75 cents at the end of 1997.

A number of developments could upset this rosy scenario.

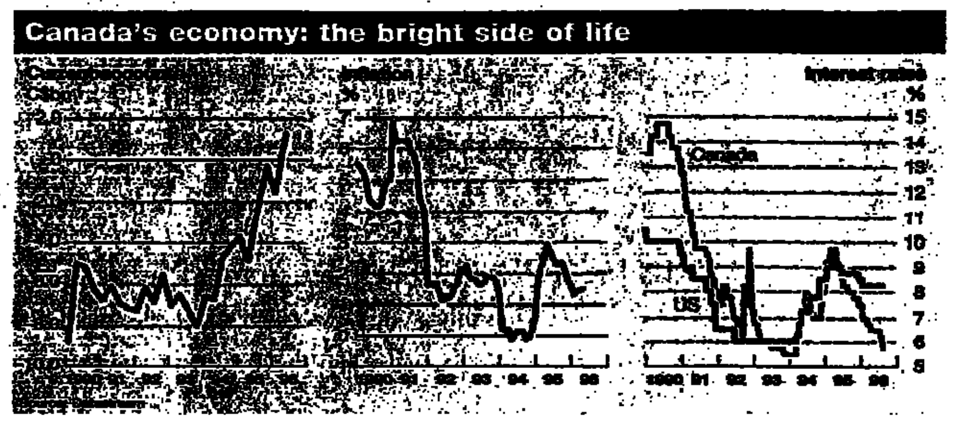
With the ratio of exports climbing over the past decade from 25 per cent to 43 per cent of gross domestic product, Canada's economic health has become increasingly dependent on the big market to the south.

The improved balance of payments has coincided with strong US demand for Canadian industrial products. A US downturn would provide the real test of Canada's competitive edge.

Canada also still relies heavily on raw material exports, such as wheat, oil, natural gas, nickel, uranium, and pulp and paper. International commodity prices will thus be an important determinant of export growth.

If the optimists are right however, Canada could enjoy the best of several worlds over the next few years – a competitive export sector, coupled with a rebound in domestic demand as the recent slide in interest rates encourages consumers and businesses to loosen their purse-strings.

Canada's economy: the bright side of life



US airlines agree to settle travel agents' suit

Several of the US's largest airlines have agreed to pay $72m to settle a lawsuit filed by travel agents which accused them of conspiring to cap the commissions paid on ticket sales, AP reports from Minneapolis.

American, Delta, Northwest and United Airlines denied all claims in the anti-trust lawsuit but decided to settle on Tuesday to avoid the risks and expenses of further litigation. Continental and USAir separately announced they had agreed to pay to settle. TWA settled shortly after the anti-trust lawsuit was filed last year on behalf of about 33,000 travel agents.

The deals were struck as jury selection in the class-action lawsuit was about to begin in US District Court in Minneapolis.

The agreement with the four airlines is to be the subject of a hearing today before US District Judge James Rosenbaum.

"We are pleased with the result," said Mr Sam Heins, the lead attorney for the travel agents. "We think it's a good settlement and look forward to presenting it in court for the judge's approval."

The lawsuit was filed after the airlines capped commissions at $50 for any domestic ticket exceeding $500.

Agents typically had received 10 per cent of the ticket price.

The lawsuit accused the airlines of conspiring to set commissions at artificially low levels, then announcing the limits at different times to give the impression that they were acting independently.

Airline officials have said commissions are their third largest operating expense and they said the limit was a necessary cost-cutting measure.

NEWS: ASIA-PACIFIC

Defiant Taiwan holds Jakarta meeting

By Laura Tyson in Taipei and Manuela Saragosa in Jakarta

Mr John Chang, Taiwan's foreign minister, visited Indonesia yesterday and met his counterpart, Mr Ali Alatas, privately in fresh defiance of China's efforts to stop the government of President Lee Teng-hui promoting its international profile.

The move comes only weeks after a visit by Taiwan's Vice-President Lien Chan to Ukraine amid reports he was received unofficially there by President Leonid Kuchma. With other diplomatic moves, this points to an intensifying of Taiwan's bid for international recognition.

Taiwan has spurned an offer by an increasingly frustrated China to resume political talks broken off after President Lee's visit to the US last year. Taiwan government opposition has led Formosa Plastics to defer a $3bn petrochemicals project on the mainland, with widespread expectations Taiwan will renew its push for UN membership this autumn.

Mr Chang's trip to Indonesia is intended to reinforce Taipei's friendly but unofficial ties with Jakarta by the newly installed foreign minister, appointed in a June reshuffle. Indonesia maintains formal diplomatic ties with China.

The visit, not officially confirmed by either government, was termed "marriage diplomacy" by the United Daily News, a leading Taiwanese newspaper. The paper said Mr Chang was to attend the wedding of Mr Alatas' daughter. China protested when Mr Lee visited Indonesia in 1993 while on a "holiday" tour of south-east Asia. Mr Chang's visit is consistent with Taipei's strategy of developing close personal friendships with top officials in other countries.

Only 30 countries formally recognise Taipei and Beijing routinely objects to Taipei's efforts to forge alliances with governments with which it does not have formal ties.

Taiwan is the seventh largest investor in Indonesia. Jakarta has approved more than US$9bn worth of foreign investment projects from Taiwan in the past 30 years. Only $186m worth of investments have been approved from China over the same period.

Indonesian non-oil and gas exports to Beijing grew from $580m in 1991, a year after it normalised diplomatic relations with China, to $1bn in 1995. Last year, Indonesia's non-oil and gas exports to Taiwan totalled over $1.1bn.

Jakarta, which has also sent ministers on trips to Taipei, may also wish to demonstrate to Beijing it will not be pushed around.

Taipei's purpose is both political and economic. Indonesia has been acting as a mediator in the dispute over the Spratly Islands in the South China Sea to which Taiwan and China are among the claimants. But Taipei has also been looking to diversify its investment away from China amid concerns over its growing economic dependence on the mainland.

Mr Chang's visit comes as Indonesia mobilises more than 19,000 troops, 50 navy vessels and 41 fighter jets for military exercises in the South China Sea.

These will take place on and near Indonesia's Natuna islands, where Pertamina, its state oil and gas company, and Exxon of the US plan to develop a $35bn gas field. Three years ago, Indonesia was alarmed when Chinese academic institutions published a map which appeared to lay claim to part of the waters around the Natunas, 2,000km north of Jakarta and south-west of the disputed Spratlys.

ASIA-PACIFIC NEWS DIGEST

Japan cabinet slips in poll

The popularity of Japanese premier Ryutaro Hashimoto's government continues to slip, a Mainichi Shimbun newspaper poll showed yesterday. Support for the cabinet has fallen to 31 per cent, down eight percentage points since the previous survey in April. The proportion of those who positively disapprove of the cabinet has risen from 21 to 23 per cent. Soon after taking office in January, Mr Hashimoto was the most popular Liberal Democratic prime minister since Mr Kakuei Tanaka in 1972-1974. In January, Mr Hashimoto attracted 80 per cent poll ratings. But in the months after taking office, these dropped to about 40 per cent, seen as the consequence of keeping together a divided three-party coalition.

This latest decline, Mainichi said, can be blamed on unpopular government decisions. These include a sales tax rise from 3 to 5 per cent due next April, and the possible need to find a new site on mainland Japan for a US air base, after Okinawa's referendum next Sunday on whether or not to phase out the US military presence there. *William Dawkins, Tokyo*

Airports bidding nears

Australia's federal government is next week expected to start calling for expressions of interest in its first three airports to be privatised. These will be Melbourne, Brisbane and Perth. A shortlist of potential bidders will be drawn up in October and final bids are likely to be sought in January. The sales are the first step in a plan to privatise all 22 airports owned by the Federal Airports Corporation. Sydney, the largest, has been excluded from sale until noise problems are resolved. Sale of the Adelaide airport has also been deferred pending full evaluation of a plan to build an international and domestic terminal, likely in early 1997. *Nikki Tait, Sydney*

Row over Burma gas pipeline

Construction of a $1.2bn natural gas pipeline from Burma to Thailand will continue, despite a lawsuit seeking to halt the project filed in the US against the oil company Unocal, which has a financial stake in the project. The lawsuit, filed by two Burmese exile groups, charges that the project has caused the "forced labour of thousands of villagers and systematic destruction of villages in the pipeline region".

Unocal has responded that "villages are in the same place they always have been, people have been more than fairly compensated for any land use, and anyone who works on the project gets a better than average wage". With Unocal having no operational responsibility over the project, even if court action were to force its withdrawal, the project would go ahead with other backers, lawyers said. *Ted Bardacke, Bangkok*

Indonesia trade surplus up

Indonesia's trade surplus rose in the first half of the year, helped by an increase in oil exports. Indonesia's information minister said the January-June surplus was $2.3bn against $2bn in the same six-month period last year. Exports rose to $23.49bn from $21.24bn, while imports rose to $21.19bn from $19.25bn. Indonesia's oil exports form a big part of its trade balance and rose in January-June to $5.42bn from $5.27bn last year. Crude prices have risen this week in response to Middle East tensions, reaching post-Gulf war highs. *Reuter, Jakarta*

It's musical chairs for senior staff in Hong Kong's investment banking business

High finance, high pay. . . and high turnover

By John Ridding and Louise Lucas in Hong Kong

High turnover in high finance is nothing new. But few in Hong Kong can remember when so many in the securities sector were on the move, pushing up pay cheques and occasionally confusing clients.

And because Hong Kong is the headquarters for many Asian operations, the ripples are felt across the region.

"There has been an extraordinary level of turnover in the course of the past year to 18 months," says Mr Nick Harbinson, managing director of W.I. Carr in Hong Kong, referring to the musical chairs in the investment banking business.

Some of the biggest waves have been created at Crosby Securities, acquired last month by Société Generalé of France. More than a dozen senior staff departed during the summer, including the managing director of its Singapore operations, the head of its Indian arm and several Hong Kong executives and research analysts.

Peregrine Securities has snapped up many of these, but has itself had losses, including the departure of Mr Ravi Narain, research director, to Jardine Fleming.

Sun Hung Kai, Hong Kong's largest Chinese stockbroker, has lost more than 20 staff since Allied Properties bought a controlling stake in June – many to Vickers Ballas. The big international houses have also been hiring, with Kleinwort Benson announcing the appointment of senior executives, a string of research analysts and, this week, the recruitment of a specialist China team.

ON THE MOVE: Traders at the Hong Kong Stock Exchange experience a flurry of activity Reuter

Part of the reason for the upheaval is restructuring in the sector, in which independents such as Crosby and Sun Hung Kai & Co are being acquired. In both cases, employees disgruntled by strategy shifts cleared their desks, often taking colleagues with them.

Beneath these restructurings, and the expansion of the big international groups, is a more fundamental force – rising competition. "The US and Europe are mature markets," says one local broker. "This is the last frontier. There is still a lot to play for, so there is aggressive recruitment going on."

Drawn by the potential in the region, start-up companies have also fuelled the competition. Wheelock-Natwest, the joint venture between the Hong Kong conglomerate and the British bank, acquired a 30-strong research team from BZW Asia at the end of last year to launch its operations.

Hong Kong's return to China next year is an additional factor in the stockbroking shuffle. While a few expatriates have left, a bigger force has been the move to recruit local analysts and economists.

"You are getting more and more local clients as the economy becomes more Chinese," says one headhunter, "so it is natural you will want local people to deal with them. A mainland financier with contacts across the border is a particularly valuable commodity."

They are not alone. One of the effects of the battle for brokers has been to bolster pay cheques.

"A good research analyst in one of the main sectors, such as telecoms or conglomerates, will probably get between US$350,000 and US$450,000 per year before bonuses and housing," says Mr John Wright, a headhunter at Executive Access. Stars can start at more than $1m. Add in the price of an apartment on the Peak or another exclusive address and the cost to companies multiplies.

Such sums are unlikely to prompt an exodus from London or New York, but they represent a significant increase. A former head of research at one of the big Chinese brokerages was paid HK$50,000 a month and no bonuses in 1992. He now makes many times that figure.

Not all are grateful for the upheaval, however. One British fund manager says the high turnover in the broking sector makes life more difficult. "You get to know someone and build trust in their recommendations and then they vanish. They may let you know where they are going, but sometimes they change sectors."

He, like many others in Hong Kong financial circles, expects the upheaval to continue.

Crosby, for one, appears set to bolster its broking team, tuning the territory up for a new round of musical chairs.

NEWS: WORLD TRADE

Deal near on Bayer Taiwan plant

By Wolfgang Münchau in Frankfurt and Laura Tyson in Taipei

Bayer, the German chemicals group, is close to an agreement with the government of Taiwan over the construction of a DM500m ($340m) chemical plant in the Taiwanese port city of Taichung.

At a board meeting on Tuesday, Bayer decided that current talks should be pursued further, but it appeared that the German company is in the final lap in its negotiations.

The plant is to produce toluene di-isocyanate (TDI), a chemical which is part of the polyurethane group. Polyurethanes are soft and hard foams for industrial use. One of the applications of TDI is in upholstery and in automobiles.

A spokesman for Bayer said: "The board has decided that Bayer will continue talks with the Taiwanese authorities. Bayer expects to reach clarification of the still outstanding issues shortly."

Bayer's investment in Taiwan would mark a further step in the German chemical industry's expansion into Asia. Bayer is also looking to build a large chemical plant in China, although plans are still at an early stage.

The company is also planning projects in Thailand and Indonesia.

In the first of three phases, Bayer is to build a plant with production capacity of 100,000 tonnes a year. Construction will require two and a half years. It has not yet been decided what products will be produced in later phases.

Activists and Taichung politicians oppose the project, saying it poses environmental hazards.

A Bayer executive said: "These are reasonable protests, but we are *confident* we can convince people because of our good environmental record and high safety standards."

Skoda leads Czech drive to lift exports

German-owned carmaker is in the forefront of industrial restructuring, writes **Kevin Done**

The prison block in Mlada Boleslav, that housed part of the labour force for the Skoda car plant until the collapse of communism has been demolished.

In its place stands a gleaming new car assembly plant opened this week by Czech President Vaclav Havel. The plant, north of Prague, is the most modern in the world and is graphic evidence of the changes taking place in Czech industry.

Since its takeover in 1991 by Volkswagen, Europe's biggest carmaker, Skoda has taken a vital role in helping restructure Czech industry, attracting foreign investment and leading export efforts.

Despite being at the forefront of economic reform in east Europe in the past six years, the Czech Republic now faces a searching economic challenge as a mushrooming trade deficit threatens to hamper growth.

Policymakers in Prague remain divided between those calling for a devaluation to make exports more competitive, and those who argue that such a move would be inflationary and undermine factory reforms.

The trade deficit, Kc95.7bn ($3.6bn) last year, has already reached Kc85.3bn in the first seven months this year – compared with Kc49.5bn in the same period a year ago. Forecasts for the *full year warn of a deficit* ranging from Kc140bn to Kc160bn.

Skoda's launch this week of a second car range, the Octavia, will help spearhead Skoda's drive into foreign markets in west Europe and in the much more price sensitive markets of the developing world.

Skoda is already the largest Czech exporter, accounting for more than 5 per cent of exports. Around 70 per cent of production is exported and, with the new boost to capacity, it is set to become the largest corporation by turnover, overtaking CEZ, the electricity utility.

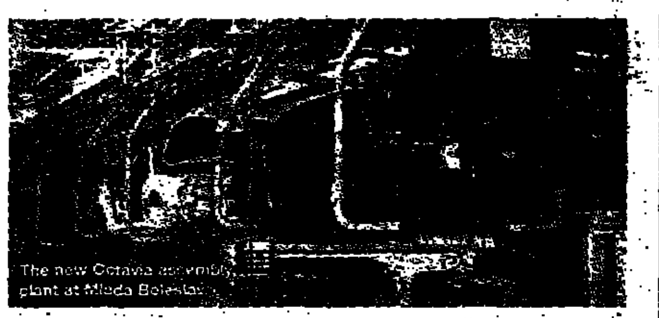
The new plant will be capable of producing around 90,000 cars a year on two shifts. Skoda already increased output last year – *of the smaller Felicia range* – by 20 per cent to 208,279 and it is forecasting a bigger increase this year to around 260,000. By 1997-98 it will be able to produce at least 340,000 cars a year.

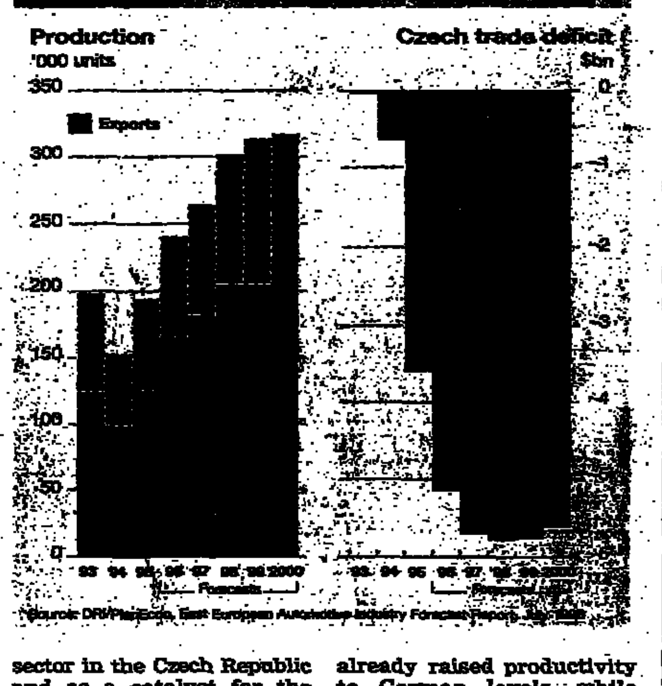
The Octavia family hatchback range will take Skoda more upmarket and open up new customer segments. Its *beneficial impact on* the Czech balance of payments will be weakened, however, as it has more imported components than the Felicia. Many of the Octavia chassis and drivetrain parts will be shared with other VW models, such as the next generation Volkswagen Golf.

The German carmaker is pursuing a DM3.7bn, 10-year expenditure programme at *its Czech subsidiary*. The Octavia plant is allowing Volkswagen to break new ground in pioneering assembly techniques with component suppliers working inside the factory supplying systems modules directly to the line. Such an approach would be impossible at VW plants in Germany.

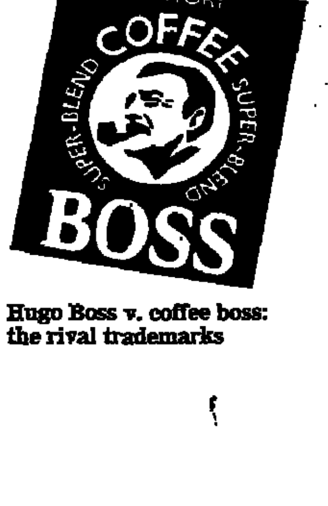
Since its takeover by Volkswagen Skoda has acted as a *magnet for foreign* investment in the vehicles sector in the Czech Republic and as a catalyst for the restructuring and expansion of the components industry. More than 40 joint ventures have been established with Czech suppliers and nearly 20 new auto components *plants have been built on* greenfield sites. Some have already raised productivity to German levels, while labour costs are a tenth or less of those in Germany.

On the debit side there is concern about increasing absenteeism, in particular in areas close to Prague, where *unemployment rates* are barely 1 per cent.





Trademark row over 'Who's Boss'



Hugo Boss v. coffee boss: the rival trademarks

By Emiko Terazono in Tokyo

Hugo Boss, the German men's clothing maker, is *locked in a trademark row* with a Japanese liquor manufacturer over the use of the "Boss" logo.

The German company is suing Suntory, which has registered its "Boss" brand of canned coffee, for giving *away promotional* jackets branded with a Boss logo. Hugo Boss is demanding that Suntory halt its annual jacket campaign and pay Y50m ($458,000) in damages.

Mr Masato Otomo, head of Hugo Boss's Japanese operations, said Suntory's use of the Boss name on its promotional jackets had hurt Hugo Boss's image as a luxury brand and *undermined the products' value.*

The liquor maker, in turn, claims its trademark law does not apply to goods given away *free for promotion*, and has filed a countersuit with the Tokyo district court to invalidate Hugo Boss's lawsuit. It also retorts that the Boss logo was accompanied by Suntory's name and an image of a man with a pipe differentiating it from the Hugo Boss logo.

The trademark row comes as awareness grows over intellectual property rights, a relatively new concept in Japan. Complaints by the US government in the early 1990s forced Japan to widen *its application of its patent* and trademark laws. Japanese companies have since faced lawsuits from foreign *corporations.*

Ironically, Japanese companies are now the ones lobbying to protect their intellectual rights in emerging markets. Japan's Ministry of International Trade and Industry said last month it would introduce a project to protect intellectual property rights in Asian markets and would hold seminars on how to deal with infringements.

Hugo Boss points out that the Suntory case indicates that attitudes in Japan toward protection of *intellectual property rights* remain unsophisticated. It said its lawsuit aimed to expose the flaws in the system as well as *protecting its brand.*

Suntory is not ready to give up its immensely popular promotion. Over the last three years it has given 50,000 jackets to some of the 23 million people who have requested them. The company is confident it will win its case and is planning to launch its Boss jacket campaign next month for a fourth year.

WORLD TRADE NEWS DIGEST

Saab in talks with Airbus

Airbus Industrie, the European aircraft consortium, is looking to Saab to help develop a super jumbo to compete with Boeing. "We have received an invitation from Airbus that we are discussing. But there is still a long way to go before a decision is taken," the Swedish company said yesterday.

Airbus says its A3XX super jumbo design will cost $8bn to develop and will carry more than 550 passengers. Saab's civilian aircraft division currently manufactures the smaller, regional Saab 340 and Saab 2000. "Of course the difference is huge. But Saab has broad knowledge of systems which can be used both for regional aircraft and significantly larger planes," Saab said. Airbus is also holding talks with Alenia of Italy. *AFP, Stockholm*

Child labour code agreed

Fifa, world football's governing body, has agreed a code of conduct with international trade unions in an attempt to stop the use of child labour in the manufacture of footballs.

Fifa will also attempt to persuade other sports goods manufacturers including the world's main sports shoe makers to adopt a similar code of conduct at a special conference on child labour in London in November. Fifa's decision follows an outcry during the Euro '96 football championship in England in June over allegations that authorised souvenir balls were being made by child workers in Pakistan.

However, Fifa's announcement was drew criticised by some large manufacturers complained they had been excluded from the drafting of the code. *Graham Bowley*

Chip makers cut investment

Japanese semiconductor manufacturers followed the lead set by their Taiwanese and Korean counterparts yesterday and said they would cut back their investments in microchips because of the sharp downturn in memory chip prices. Toshiba said it planned to cut semiconductor capital investment by Y10bn ($91.5m) to Y170bn for the year ending March 1997. The company added that it expects its microchip sales for the year to be Y950bn – 10 per cent below its original forecast. Separately NEC, Mitsubishi Electric, Hitachi and Fujitsu all said they were reviewing their semiconductor investment programmes.

Prices of memory chips have plunged during the past year, forcing most manufacturers to reassess ambitious investment programmes and slow capacity expansion while helping fuel the continued fall in personal computer prices.

The price of 16 megabit dynamic random access memory (D-Ram) chips for volume users are being quoted at around Y1,200 yen ($11) each, down from around Y5,000 yen ($46) at the beginning of this year. *Paul Taylor*

Andean states agree strategy

The five member countries of the Andean Community (Bolivia, Peru, Ecuador, Venezuela and Colombia) have agreed to negotiate future trade agreements with Mercosur as a bloc rather individually. Bolivia has been criticised by some of its Andean partners for its bilateral initiative in applying for associate membership of Mercosur alone. *Sally Bowen, Lima*

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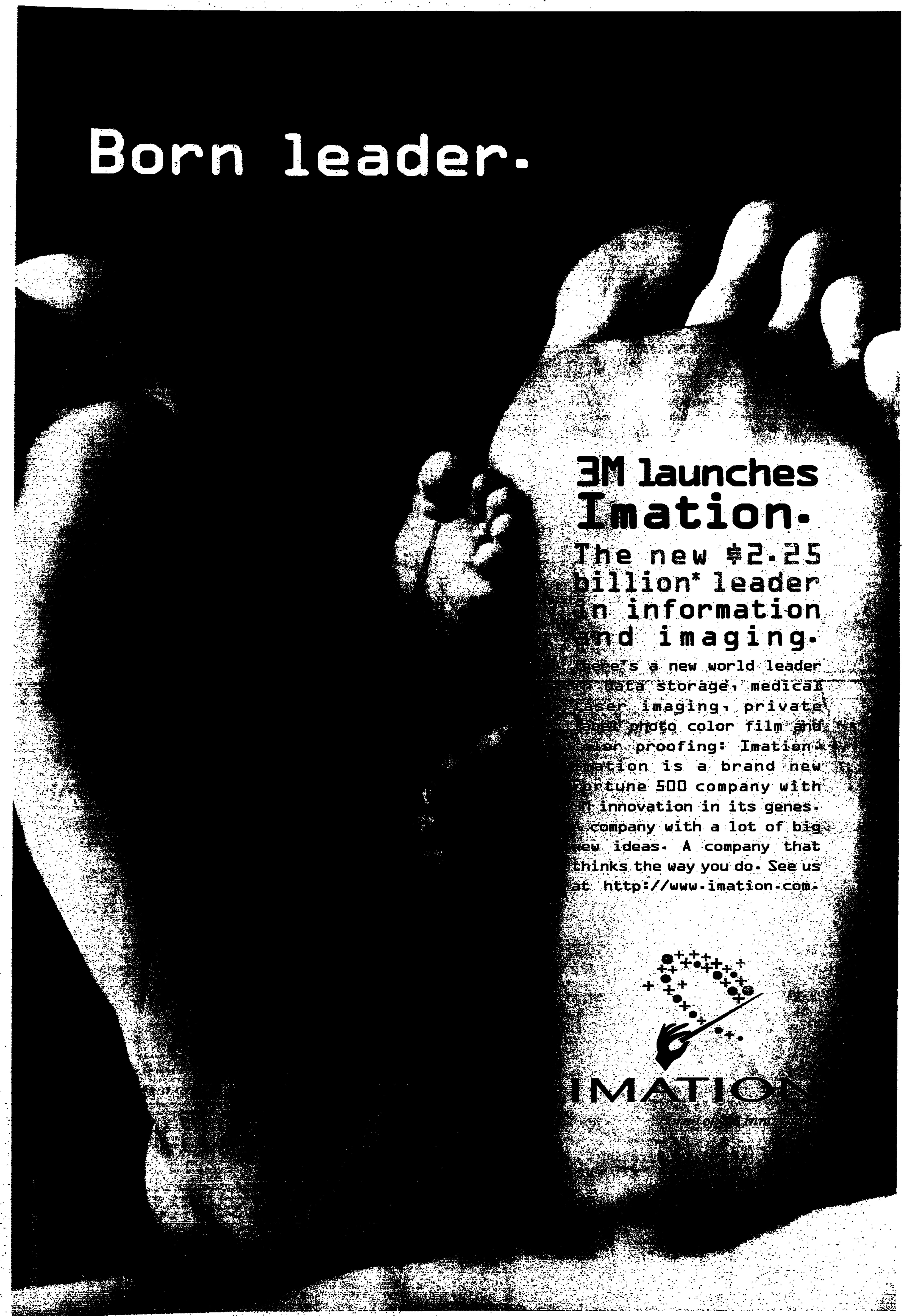


NEWS: INTERNATIONAL

Israeli premier meets Arafat

By Ilene Prusher in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Yassir Arafat, the president of the Palestinian Authority, shook hands yesterday at a checkpoint between Israel and the self-ruled Gaza Strip – more than three months after the Israeli premier's election and just as the peace process seemed on the brink of ruin.

But the two leaders announced no breakthrough in any of their significant areas of disagreement. Mr Netanyahu made no commitment on the delayed Israeli redeployment from the West Bank town of Hebron or on his controversial decision to expand Jewish settlements in the West Bank, and Mr Arafat said that even the dispute over the opening of a Palestinian airport in Gaza would be sent back to a steering committee for further negotiation.

Nevertheless, the meeting between the two leaders represented a big step forward, as both sides reaffirmed their commitment to peace and co-operation.

"We need to take into account the needs and requirements of both sides on the basis of reciprocity, and the assurance and well-being of both Israelis and Palestinians alike," Mr Netanyahu told a press conference. "We want to advance the issues of concern to all of us." He said he was committed to Palestinian "prosperity", raising the likelihood that he may allow more labourers to work in Israel.

Mr Arafat said: "Our commitments, for both parties, are unchangeable. I believe we and Mr Netanyahu and his government can work together and can advance the peace process."

Earlier Mr Netanyahu, who has long expressed disdain for the Palestinian leader, stood first at the negotiating table and reached an arm out to Mr Arafat. The two performed a quick, limp handshake for the cameras while the faces of most of the negotiators remained grim, in contrast to the scene at the interim peace accords sealed at the US White House in 1993.

At the time, Mr Netanyahu condemned the accords and vowed never to meet Mr Arafat, branding him "a murderer and a terrorist." Since then, he has offered to meet Mr Arafat only if it was absolutely necessary for Israeli security.

Since last week, when relations slipped into crisis, Mr Netanyahu has come under increasing pressure to meet the Palestinian leader.

US ATTACK ON IRAQ: Oil traders adjust strategies □ Russian anger at US □ Fear on streets of Arbil

Oil price yo-yos as traders digest news from Iraq

By Robert Corzine in London

International oil companies and traders yesterday continued to adjust their buying strategies to reflect the widespread expectation that Iraqi oil will not be a factor in world markets this year.

The price of the benchmark Brent Blend for October delivery fell sharply in early trading on London's International Petroleum Exchange. At midday it was down to $21.50 a barrel, well down on its close of $22.21 on Tuesday. Reports of renewed fighting in northern Iraq later sent it back above $22, and it closed at $22.16.

But in spite of such swings, many traders and analysts said prices were likely to stay relatively firm for a month or so because of uncertainty about total world oil supplies in the fourth quarter.

"This is a genuine supply disruption," said Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney. "The return of 600,000 or so barrels a day of Iraqi crude oil had been incorporated into the strategies of many refiners."

That view was shared by other analysts. "It looks as though those Iraqi barrels were actually needed," said Mr Leo Drollas, director of the Centre for Global Energy Studies in London. He noted that current oil stocks in the leading industrialised countries were sufficient to cover only 60 days of consumption, compared with 63 days at this time last year. The lower figure, he says, reflects the impact of higher-than-expected oil demand this year.

But few in the industry believe there is any early prospect of Iraqi crude exports under the now suspended United Nations oil-for-food programme. There is considerable market scepticism that the UN can rejuvenate the plan, although officials in New York yesterday said it was only on hold until the safety of food distribution monitors on the ground in Iraq could be guaranteed.

Many traders have already shifted their attention to possible alternative sources. Much debate now centres on whether countries outside the Organisation of Petroleum Exporting Countries can step in to make up for any shortfall.

In recent months, the Paris-based International Energy Agency, which monitors world oil markets on behalf of the western industrialised countries, has published highly optimistic forecasts of non-Opec output in the fourth quarter.

Many analysts say the IEA is too optimistic. Mr Drollas, for example, believes fourth quarter output from members of the Organisation for Economic Co-operation and Development will be closer to 19.1m b/d than the 19.7m b/d forecast by the IEA.

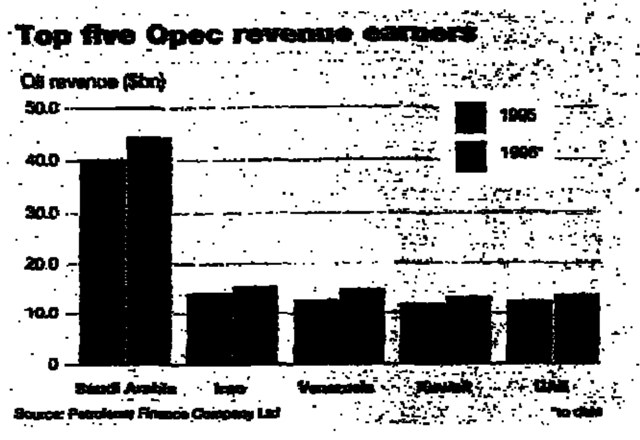
Others, however, believe growth in non-Opec supplies could eventually prove sufficient to reverse recent price increases. Mr Geoff Pyne, energy analyst at UBS Phillips & Drew in London, said the combination of concerns about Iraq and worries about low stock levels of diesel fuel and other "middle distillates" in the US and Europe could prop up prices over the next month. But the arrival of additional non-Opec supplies, such as the 400,000 b/d expected from the UK North Sea alone, could change sentiment towards the end of the year. "That's a lot of oil," he notes.

But the Middle East is unlikely to be far from traders' thoughts, even if the current crisis between the US and Iraq dissipates quickly. The strength of the oil price rise seen this week can be explained in part by increasing unease about the general political situation in the region. In particular the recent terrorist bombing in Saudi Arabia, the world's largest oil exporter, has unsettled oil markets. In recent months several chief executives from some of the west's largest oil companies have privately expressed concern about possible Saudi developments.

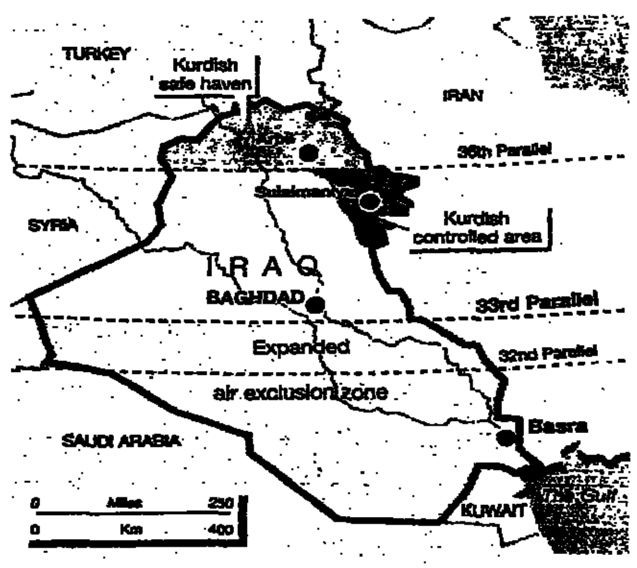
But if political instability in the Gulf is once again a factor in oil prices, the recent rises amount to a financial "windfall" for most of the area's states. Mr Drollas says Saudi Arabia's revenues could be boosted by $850m as a result of higher prices.

Cash is not the only benefit accruing to Opec states from the present situation, however. Mr Peter Bogin of the Paris office of Cambridge Energy Research Associates notes that this year's surprisingly strong oil prices have not deterred the growth in demand. "Oil prices have been two, three and even four dollars higher than last year, but despite the high prices there has been no negative demand reaction."

Over the longer term, Iraq's impact on oil prices will depend on how hard Security Council members such as France and Russia push to reinstate the oil-for-food programme. The US is expected to resist such attempts, but even it has accepted that the humanitarian situation in Iraq warrants large-scale assistance.



KDP leader Masoud Barzani waves to Kurdish fighters near his HQ in Salahaddin Reuter



Turkey to police Kurdish zone

By Edward Mortimer

Turkey yesterday declared a "danger zone" on the Iraqi side of the border between the two countries, in an attempt to prevent infiltration of its territory by Kurdish nationalist guerrillas. The zone will be policed by the Turkish army, though whether it will maintain a resident garrison there was not immediately clear.

The move has not yet been publicly announced, but the Iraqi Kurdish faction which controls the area closest to the Turkish frontier (and has now sided with President Saddam Hussein) has been officially informed that the zone will be from 5km to 20km wide.

A senior Turkish official confirmed that it would "run parallel to the Turkish border".

Maximum care, he added, was being taken "to ensure that the lives and property of people living in the inhabited parts of the zone are not harmed".

Mrs Tansu Çiller, Turkey's deputy prime minister and foreign minister, dropped a hint of her government's intentions when she said at a press conference yesterday that "terrorists have massed on our borders" and that "Turkey is of course going to ensure border security and stop crossings". Turkey would, she added, "evaluate what measures it will take... and do what is necessary".

Apprehension on Arbil's stinking streets

John Barham finds fear and resignation in the wake of the Iraqi incursion

Business is returning to normal at the Asaish, the former security services headquarters overlooking central Arbil.

The fine old building's new occupants are busy clearing rubble and piling up furniture along its dusty corridors. Clerks perched on half-wrecked chairs are typing out requisitions and forms. Peshmerga guerrillas belonging to the victorious Kurdistan Democratic party, who seized the town with the backing of the Iraqi army at the weekend, are queueing noisily, in their turbans and baggy uniforms, waiting for payment.

Nearly all vestiges of the building's former occupants, operatives of the rival Patriotic Union of Kurdistan (PUK), are being removed, their propaganda posters and the contents of countless files littering the floor.

On the other side of the square, clogged with the Toyota Landcruisers and Mercedes of top KDP officials, stands the office of the regional governor. Inside sits Mr Fadil Mairani, a top KDP politburo member, in air-conditioned luxury, his hair dyed and neatly permed.

"Everything is under control," he insists. Looting has been halted. More than 50 stolen cars have been returned to their owners. Searches for fugitive PUK members have stopped, with many held in "temporary detention centres".

Out in the hot, stinking streets of Arbil, it is hard to find many people as confident as Mr Mirani. The mood is closer to resignation, mixed with apprehension.

The city reverberates to the sound of portable generators. The PUK cut the supplies of electricity and water as they fled the city on Saturday. Its guerrillas still control the Dukan Lake, which provides the region's water and power. The local ice factory and brackish wells are Arbil's only water suppliers. The price of a block of salty tasting ice has risen to 90 Iraqi dinars ($3.60) from 4 – a small fortune for the impoverished residents.

Groups of women and children roam the streets balancing jerry cans on their heads in search of water. UN officials are trying to convince Mr Jalal Talabani, the PUK leader, to restore supplies. Raw sewage putrifies in stagnant open sewers. Western aid agencies fear an outbreak of cholera, malaria and typhoid if power and water do not return soon.

Arbil's bazaars and shops are nearly all closed, with crowds of people milling aimlessly about town. One man said: "We do not like what Talabani did. We saw many bad things when the (Baghdad) government was here. I am not for the PUK, or the KDP or the government. Barzani will bring Saddam back."

Another passer-by cut in: "Saddam, Barzani, PUK, KDP are all the same." A young engineer interrupted. "Massoud (Barzani) took the hand of Saddam. Of course, we do not trust him. He (Saddam) means terror, destruction."

The KDP refused western journalists access to Arbil until yesterday, claiming it was not yet secure. Opposition parties say this was to allow Baghdad's Muhabarat intelligence service to round up the regime's opponents who had taken refuge in the city. There was no obvious sign of the Muhabarat or Ba'ath party members in their military-style uniforms yesterday. There is no sign of Iraqi troops and damage to the city is slight.

The morale of its populace, though, is badly shaken. The return of Iraqi forces has led to an exodus of western aid organisations. Baghdad considers their operations illegal and staff fear they may be taken hostage or even assassinated by the Iraqi secret police.

The withdrawal of the joint US, French, British and Turkish military co-ordination centre (MCC) to Turkey, from its base close to the border, further undermines any sense of security.

A Kurdish employee of a western relief organisation said: "All of us are afraid of Saddam Hussein and Iraqi intelligence. We fear he will come again because the Americans cannot do anything against him."

An official at the US Office for Disaster Assistance said the agency could close down its operation because of the lack of security. If so, basic services, schools, roads, building and reconstruction work could be halted, all funded by OFDA.

Fear and disillusion with the conflict between the rival Kurdish groups is deepest among the agencies' more educated and once idealistic employees.

"If the PUK and KDP do not reach an agreement, Saddam will be the best option," one aid worker declared bitterly. "It would be the worst for me, but who else could clean the streets?"

Clinton faces chorus of protest abroad but support at home

By Bruce Clark, Edward Mortimer and Alexandra Capelle in London

President Bill Clinton yesterday faced a growing chorus of criticism abroad, but apparently solid support at home, for his military action against Iraq.

France distanced itself further from US action, leaving Britain exposed as Washington's most vocal supporter.

In Russia, criticism of US policy came from Mr Yevgeny Primakov, the foreign minister who has long-standing ties with Iraq, and also from more pro-western figures such as Mr Anatoly Chubais, the presidential chief of staff.

The French and Russian reaction highlighted deep divisions in the UN Security Council, where Britain was struggling to secure consensus on a resolution that would have censured Iraq without referring to the US punitive action.

Russia took the lead in denouncing as one-sided the initial British draft, which included calls for restraint by Iran and urged closer involvement by Mr Boutros Boutros Ghali, the UN secretary general.

In Brussels, the contrast between British and French views left the European Union's Irish presidency little hope of stitching together a firm common position.

Mr Alain Lamassoure, the French government spokesman, said recent Iraqi actions "have nothing to do with" the events of 1990-91 when Baghdad's invasion of Kuwait prompted a massive response by a US-led coalition.

Without directly attacking US policy, he said French opinion was aligned with "moderate Arab countries" and he called for the swiftest possible action to put Iraq's "oil-for-food" deal back on track.

US officials want a virtually indefinite suspension of the UN resolution under which Baghdad could sell $2bn worth of oil in order to buy food and medicine.

French officials also insisted that, despite US claims to the contrary, they had not joined the US and Britain in enforcing an extended "no-fly zone" in southern Iraq.

France urged that the crisis in northern Iraq be resolved through dialogue between Baghdad and the Kurdish factions. UK officials say there is no reason to think Baghdad could pay a constructive role.

But there were hints of unhappiness in London over the way in which the UK has found itself standing alone as the main advocate of US policy. "We would like the [US punitive] action to come to a halt at some stage," said a senior UK official.

In the US, President Clinton could take comfort from the fact that his action has, for the time being, silenced Republican critics, including Mr Bob Dole, the presidential candidate.

US foreign policy experts said a cool world reaction was almost certainly factored in to Mr Clinton's calculations. "The international response did not come as a surprise," said Dr Yahya Sadowski of the Brookings Institution. "Both the French and the Russians have ties to Iraq."

Mr Newt Gingrich, the Speaker of the House of Representatives, said there was "concern" at the contrast between the broad backing the US enjoyed for its Desert Storm operation to liberate Kuwait in 1991 and the "current level of support" for US policy. But he stressed that Congress would give its full support to US forces in the Middle East. "We think it is important to be united in moments of international tension," Mr Gingrich said.

Zimbabwe civil service strike ends

Zimbabwe's civil servants returned to work yesterday after the government offered to reinstate thousands of strikers it had fired over a two-week stoppage which paralysed essential social services, Reuter reports from Harare.

"The strike is over," a Public Service Association union official said as about 5,000 strikers who had gathered earlier at a central park in Harare, the capital, left in groups for offices they deserted on August 20 to press demands for higher pay.

The strikers – who included doctors, nurses, mortuary attendants, prosecutors and firefighters – had vowed to stay on the streets this week until the government guaranteed 7,000 workers it fired two weeks ago would get their jobs back.

In a statement, Ms Florence Chitauro, public service minister, said President Robert Mugabe's government – which held a long cabinet meeting on Tuesday to settle the dispute – had decided to reinstate the dismissed workers.

This is the second time in seven days that the government has climbed down from its tough position against the strike, estimated by the union to have been supported by 70 to 80 per cent of the country's 180,000 civil servants.

Last Thursday, it offered the strikers a 20 per cent rise in addition to an original 9 per cent increase. The strikers had demanded increases of 30 to 60 per cent.

The strike, a rare challenge to Mr Mugabe and his Zanu-PF paralysed social services and disrupted internal flights.

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NEWS: UK

Lloyd's bell signals near escape from disaster

By Ralph Atkins, Insurance Correspondent

Mr David Rowland, Lloyd's of London chairman, yesterday closed one of the most tumultuous chapters in the insurance market's 308-year history by ringing the Lutine bell – herald of good and bad news at Lloyd's – an unprecedented three times.

The ceremony, in the packed underwriting room at its Lime Street headquarters, came just hours after the Department of Trade and Industry gave the go-ahead for the last stage of the market's £3.2bn ($4.99bn) recovery plan, which has secured the financial future of Lloyd's.

Mr Rowland said he hoped the bell would never again be rung three times. "We came extremely close to disaster. We are never going to do that again," he said.

Mr Edward Muhl, New York State's superintendent of insurance, also gave Equitas his blessing. As Lloyd's last week fought off an eleventh-hour US legal challenge to its recovery plan, Mr Muhl had warned Lloyd's assets would be seized if necessary, to protect policyholders. Yesterday, he said: "We believe that the Equitas programme has a reasonable chance of success."

Mr Anthony Nelson, Department of Trade and Industry minister, approved Equitas, a specially created "reinsurance" company into which Lloyd's is transfering about £12bn of pounds of mainly US liabilities outstanding on policies sold before 1993.

Mr Nelson helped Mr Rowland ring the Lutine bell. The minister's involvement risked suggesting a cosy relationship with Lloyd's, but Mr Nelson said his primary concern had been to ensure sufficient reserves had been made for current and possible future claims.

He set a review of Lloyd's regulation as an early priority after the next election and hinted its scope might extend beyond Lloyd's.

Mr Rowland told the sea of underwriters, brokers and guests who lined the shiny metal galleries and stationary escalators that the three rings of the bell symbolised the suffering of Names who had borne losses totalling more than £8bn, the implementation of the recovery plan, and the start of work to restore Lloyd's international competitiveness.

Opening figures on Equitas' assets and liabilities are not yet available and estimates have varied by hundreds of millions of pounds over the past year.

Based on December 1995 figures, Equitas would be funded by a £14.7bn premium. But Mr David Newbigging, Equitas chairman, said its assets and liabilities had subsequently fallen by an estimated £3bn as claims had been paid.

Equitas should have £1.68bn to meet unanticipated claims. The additional sum provided by Names, above funds already available within Lloyd's, is about £860m. In agreeing to authorise Equitas, the DTI insisted an extra £100m should be available in January 2002 if needed. Lloyd's has not decided how the extra funds would be provided.

Rules on accounts hold back companies

By Jim Kelly, Accountancy Correspondent

UK companies are at a competitive disadvantage to European rivals because they have to give more information in their annual accounts, according to a survey published today.

More information useful to competitors has to be revealed under UK rules than in either Germany, Italy or France, say accountants Deloitte & Touche.

"We need to work towards a financial reporting regime that allows UK companies to compete fairly on the international playing field," said Mr Martin Scicluna, chairman of Deloitte & Touche.

As a result, the firm is suggesting that the International Accounting Standards Committee, which is working towards global harmonisation, should seek worldwide stock market support for a standard review in every set of accounts.

The review would be based on the UK's successful Operating and Financial Review (OFR) which provides a company's own analysis of its business, looks at possible uncertainties, and outlines financing.

The survey looked at 10 companies in each of the four countries and awarded one point for reasonably full disclosure, zero for none. The UK scored 147, Germany 68, France 63, and Italy 42. The types of disclosure reviewed included cash flow, acquisitions and disposals, segmental analysis – which breaks down the different businesses within a company – and directors' remuneration.

"Disclosure of information about a company's activities has a cost. This cost is far higher than simply extracting information from accounting records and including it in the annual report," said Mr Scicluna.

"The most significant element of the cost is publishing information that is useful to competitors."

Labour's plan for business criticised

By David Wighton, Political Correspondent

Lydia van der Meer

Tony Blair received flak for his business manifesto

Labour yesterday told businessmen that it would exclude agreed mergers from a proposed "positive" public interest test, effectively watering down its plans to make takeovers more difficult.

However, the change was criticised at a business conference hosted by Labour in London. The audience also expressed continued concerns over the party's tax plans and support for the European Social Chapter.

In a manifesto for business launched at the conference, the party said that its proposal to shift the onus of proof in takeovers to require the bidder to demonstrate that the deal would be in the public interest would apply only to hostile bids, excluding agreed deals.

Mr Charles Pender, an associate director of corporate finance at NatWest Markets, said there was no reason to place a higher barrier on hostile takeovers. "It is an artificial distinction," he said. Mr Peter Harper, a director of Hanson, the industrial conglomerate, said it was "very disappointing" that despite a long consultation with business Labour had retained the idea of a positive public interest test. "It will make hostile bids difficult, if not impossible," he said.

Labour also heightened fears that if elected it would consider reducing the tax credit on dividends. Pressed on the issue, Mr Alistair Darling, the shadow treasury chief secretary, said: "We have made no proposals to change the regime."

One of Labour's objectives at the conference was to bury its image as a high tax party ahead of today's launch of the Tory's "New Labour. New Taxes" publicity campaign. Mr Gordon Brown, the shadow chancellor, yesterday restated a long term objective of reducing the starting rate of tax to 10p in the pound.

But Mr Michael Jack, treasury financial secretary, said such a move would cost £8bn ($12.5bn) and dismissed the pledge as "simply an aspiration, an ideal, a soundbite without substance".

Mr Brown said the £8bn figure was "utterly wrong".

Mr Blair, the Labour leader, used the conference to address the widespread business concern about the party's commitment to opt in to the social chapter. He promised Labour would "vigorously examine each new proposal" under the chapter for its effect on business competitiveness and said there was "no question" of the imposition of other countries' social security systems or the co-opting of workers on to company boards, both of which would require unanimity.

Single currency tangles with law

Bankers voice fears over the security of cross-border contracts

Legal experts from across Europe will meet European Commission officials in Brussels today to discuss an issue that many UK politicians wish never existed – the European single currency.

But irrespective of the UK's political stance on the single currency, the legal problems it creates for the continuity of contracts have arguably provoked more concern in London than any other European capital.

This is because the outcome could be crucial for the operation of London's financial markets. Mr Jeffrey Golden, partner at law firm Allen & Overy said: "If we get this issue wrong, the consequences could be dramatic."

The problem revolves round the distinctions between the common law system used in the UK and the civil code used on the mainland continent.

At stake is the question of what would happen to existing financial contracts if Emu starts, as planned, in 1999.

International law binds governments to recognise other countries' currencies – and their right to change them – under a principle known as *lex monetae*.

But the situation is complicated in the case of individual contracts because of a UK legal principle called the "doctrine of frustration". This stipulates that a contract can be annulled if the parties to it cannot achieve their purpose because of unforeseen events.

The source of this principle dates back to the beginning of the century when a man rented a room on Pall Mall to watch the planned coronation of Queen Victoria's son, Edward VII.

When the coronation was cancelled he demanded some of his money back – and won.

The principle has implications today and may mean that contracts affected by Emu might also be annulled, if it could be shown that Emu was "unforeseen".

There is particular concern, for example, that swaps and derivatives contracts might be challenged if both currencies in the contract disappeared.

Mr Golden added: "The risk of this argument succeeding in court might be very, very small, but if a party wanted to get out of a contract they might be tempted to try it – particularly with large sums of money involved."

'If London is left hanging it could make it less attractive as a place to base contracts.'

The European Commission has attempted to stop this with draft regulations which stipulate that Emu "shall not in itself have the effect of altering any term of a legal instrument". This will be discussed with industry groups today.

Most lawyers in Paris and Frankfurt think this is sufficient. Although the concept of "frustration" occurs in other European legal systems, they do not believe it could be invoked in Emu. Mr Francis Credot, director of legal and tax affairs at the French group Banques Populaire, said: "For us it is very strange that UK lawyers think that an event at a coronation could be used to escape from a swaps contract – the two issues are completely different."

Some legal observers in London agreed. They suggested that if London expressed dissent on this point it might prompt market participants to draw up contracts under French or German law, instead of UK law.

Mr Charles Proctor, a partner at law firm Norton Rose, said: "Emu will not pose a problem for continuity of contracts. But markets do not like uncertainty and if they are concerned, there may be a possibility that some institutions try to conduct business in other centres."

But other UK-based lawyers argued that unless London fought for a secure legal framework, the uncertainty might undermine its position anyway.

Mr Clifford Dammers, of the International Primary Market Association, said: "It is natural that London should speak loudly about this because this is where many financial markets are."

But the campaign has raised some hackles on the mainland continent. "There is some feeling that the UK is just being difficult yet again," said one continental official.

As a further uncertainty, it is not clear whether the Commission's proposals will cover countries outside Emu.

The Commission is trying to accommodate these concerns, and UK lawyers say they are pleased with progress. But the final proposals – which should emerge this month – may still not entirely please London.

The UK could introduce additional legislation. The Financial Law Panel – a group of City lawyers – is currently researching this issue.

However, the prospect of putting any Emu-related legislation before parliament in the current political climate is now almost as unpalatable for the government as the idea of leaving the City dogged by a legal uncertainty.

Gillian Tett

Hopes of a transfer of freight from road to rail have been dashed after months of talks

Track access negotiations break down

By Charles Batchelor, Transport Correspondent

Months of negotiations aimed at creating a cheaper and simpler track access regime for rail freight shipments have stalled, dashing hopes of an early shift of freight from road to rail, it emerged yesterday.

English Welsh & Scottish Railway , the US-owned company which handles bulk freight shipments, has been holding talks with Railtrack – the recently privatised owner of British Rail track and signalling – aimed at reducing the cost of running its trains.

But the two sides have failed to reach an agreement. Railtrack said the discussions had been delayed because senior executives were away for their summer breaks, "but both sides are very keen to reach an agreement".

But EWS, formerly BR's Trainload Freight division acquired by Wisconsin Central Transporation in February, is understood to be increasingly impatient with the pace of negotiations. It has been forced to drop its original proposal for a simple pricing structure based on a payment for each train mile covered.

The complexity of freight movements – involving trains of different lengths carrying consignments of different weights – may lead to track access being charged on the basis of each tonne/mile covered.

But even this would be an improvement on the present system, in which EWS and other freight operators have to negotiate a separate contract for every freight shipment.

This means that EWS is either unable to give a customer an immediate quote for shipments or it takes a risk that the contract will still be profitable once it has concluded negotiations with Railtrack.

"The end customer wants a price to compare with road freight but we can't give one," said one freight executive. "We have to negotiate each contract with Railtrack but that can take weeks."

EWS is understood to have offered to guarantee Railtrack its existing level of freight access income but to have wanted a far cheaper rate for any new business. The company currently pays Railtrack £120m ($187.20m) a year in access charges, or 60 per cent of its total revenues. This is double the figure Wisconsin pays for track access in the US.

But the attitude of EWS has hardened in recent weeks and it is believed to be pressing for a reduction in the charges for existing business.

Mr Ed Burkhardt, Wisconsin president, said track access charges are the *biggest issue facing* EWS.

"It is very much in Railtrack's interest to agree a simple formula to allow us to grow the business," he added. "Any change would be an improvement. It could not be worse than it is."

One option available to EWS is to appeal to Mr John Swift, the rail regulator, against Railtrack's charges on individual routes on the grounds that they are excessive. This could embarrass Railtrack, reduce its revenues and tie up management time. It is only likely as a last resort.

UK NEWS DIGEST

Assurance call on cattle cull

The National Farmers' Union of England and Wales will today call on the government to get clear assurances from Brussels that the additional slaughter of 147,000 cattle most likely to contract BSE will lead to a rapid lifting of the export ban. The NFU has also asked the government to take emergency powers to enable dead cattle to be burnt on open land in an effort to remove the backlog of animals awaiting slaughter under its anti-BSE scheme.

Mr Richard MacDonald, NFU director general, said: "We have made it clear we do no think we should proceed with the selective cull unless we can get absolute assurances that Europe will follow by lifting the ban." Mr Tony Baldry, junior agriculture minister told a meeting of NFU leaders yesterday he did not think the cull would go ahead in its current form.

Many farmers are hoping research which shows the BSE epidemic will be almost over by 2001 without a selective cull will convince ministers to abandon the highly unpopular plan. Mr MacDonald said the current scheme to destroy cattle over the age of 30 months was "an absolute shambles."

But the prospect of burning cattle in the open air will anger environmental groups which have already threatened to launch a judicial review of the Environment Agency, the government's pollution watchdog, if it allows power stations to burn meat and bone meal from rendered-down cattle. *Deborah Hargreaves*

■ ARCHITECTURE

Bomb repair bidders announced

Manchester announced the names of five groups of architects yesterday as part of the £21m ($32.76m) project to redesign its city centre in the wake of the huge IRA bomb in June.

The architects are expected to draw up designs for the city by October 18, as part of the international competition to rebuild both the centre's damaged buildings and regenerate derelict areas. A final winner is to be declared at the start of November.

Those shortlisted are led by Halliday Meecham architects, Llewlyn Davies architects, EDAW urban designers, R James Chapman architects, and Building Design Partnership architects. *Richard Wolffe in Birmingham*

■ ECONOMY

Poll indicates interest rates static

Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England – the UK's central bank – held their regular monthly monetary policy meeting yesterday. A Reuters poll showed most independent economists thought the chancellor decided to leave interest rates unchanged this month following the meeting.

However, some economists suspect Mr Clarke may yet push for another rate cut in the coming months to boost economic growth ahead of the election which must be held by the end of May next year.

The Bank of England has warned that interest rates may have to rise soon because a pick-up in economic activity fuelled by robust consumer spending is putting the chancellor's target for underlying inflation of 2.5 per cent in two years in danger. But the chancellor argues that inflation remains subdued. *Graham Bowley*

Union executive backs down on mail disruption

By Andrew Bolger and Alan Pike in London

The deeply divided executive of the CWU postal workers' union has backed away from announcing further stoppages in its dispute with Royal Mail. Yesterday it called for a period of "consultation and reflection".

The unexpected decision reflects mounting concern among the union's leadership that more strikes would further antagonise both Conservative and Labour politicians and seriously undermine the Post Office's monopoly on letters.

The union has held eight one-day stoppages in a dispute over pay and productivity. But yesterday Mr Derek Hodgson, deputy general secretary of union, said: "The dispute has lost its impetus. We are in danger of stagnation."

It also emerged yesterday that the union's postal executive voted by 11-9 at the weekend against putting the latest compromise package to its 134,000 workers.

This marks a shift in opinion towards Mr Alan Johnson, the moderate general secretary of the CWU, who a month ago was overturned by his executive when he proposed putting a proposed settlement to a ballot.

Mr Hodgson confirmed that the executive was still not prepared to recommend the current offer and said escalation of the industrial action remained an option. But some executive members hope local officials will report that members are unwilling to suffer the financial loss of escalating the dispute. This would give the executive a reason for calling a ballot.

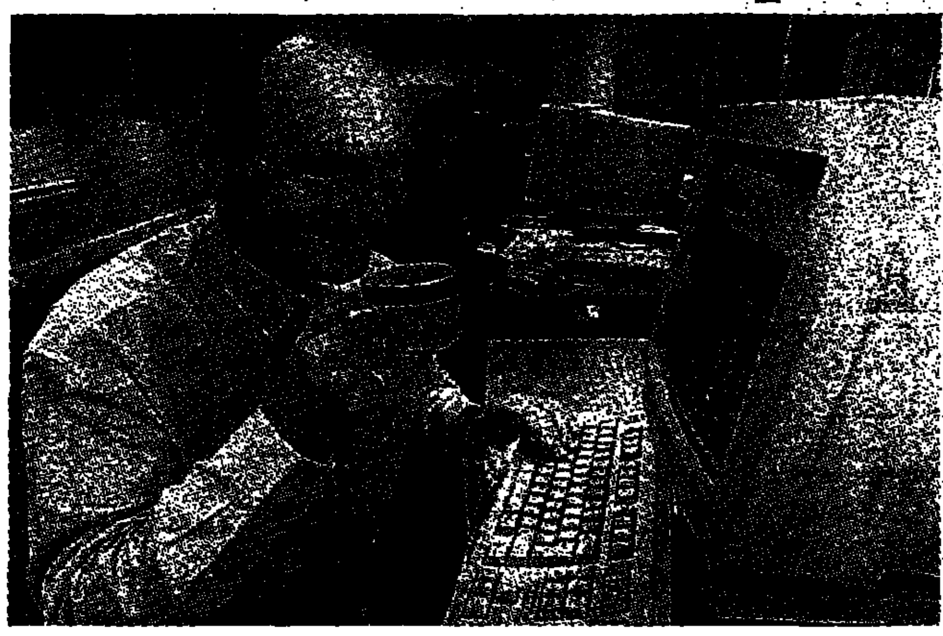
Royal Mail said: "The union is attempting once again to put off balloting their members and it is disgraceful that they are still talking about possible escalation of industrial action."

The government's one-month suspension of Royal Mail's monopoly on handling letters costing less than £1 comes to an end today. It was uncertain yesterday whether the government's threat to reimpose the suspension if disruption continued would be carried out.

Editorial Comment, Page 11

US-style investor centre opens

By Richard Wolffe, in Birmingham



John Potter

Screen test: David Jones, Sharelink chief executive, at the centre in Birmingham yesterday

For British investors more used to pinstripes and leather chairs, the UK's latest stockbroking office lacks one important person – a stockbroker.

Sharelink, the company known for its discount telephone broking, launches its first city-centre branch today with a wall of video screens and a row of financial computers, but not a broker in sight.

The brokerless branch, beneath Sharelink's head office in Birmingham, in the West Midlands, is thought to be the UK's first taste of a US-style investment centre for small investors.

A mixture of a financial library, a social club for investors, and on-the-spot dealing, the centre is a pilot for a national chain of such branches. Sharelink hopes the concept will pose a serious challenge to the share shops in banks and building societies, as well as more traditional brokers.

Mr David Jones, chief executive, said: "We want to break down the barriers and mystique of investment by showing that there are straightforward investment techniques and helping people to master them. When we launched our telephone-based business in 1987 we revolutionised stockbroking in the UK because we showed the market was no longer inaccessible. This is another massive step in that process.

"Investors also love to swap stories and tell each other about the ones that got away. So there will be a strong and healthy social aspect to the centres and we will encourage that."

Sharelink hopes its new branch service will attract experienced investors with free reference books, computer services and a series of investment seminars.

Mr Pradit Nathwani, a private investor from Solihull, near Birmingham, who was one of the first to use the Sharelink branch, said: "The centre will provide me with information that would otherwise cost me a lot of money. I will go to the centre each time I trade now."

The real target of the new branch is the inexperienced investor who lacks the confidence to use telephone dealing. Mrs Sally Terry, another private investor, said: "It is very nice to know that there is now somewhere one can go to see somebody, that there is a face behind the voice."

In spite of its emphasis on providing information to investors, Sharelink insists it will remain an execution-only broker, giving no investment advice.

Surface gloss in Hollow Reed: Ian Hart (right) as Tom with father Martyn (Martin Donovan) and son Oliver (Sam Bould)

Cinema / **Martin Hoyle**

Strife in never-never land

It is odd that the director Angela Pope should have started her career with excellent television documentaries. *Hollow Reed*, her second feature (the first was *Captives* with Tim Roth and Julia Ormond), occupies a glossy never-never land where the interiors resemble advertisements in lifestyle magazines and the exteriors are such an impossibly picturesque concatenation of hilly little streets, high terraces and Georgian facades that mere humans are upstaged as you try and identify the locations.

In fact the film was shot in Bath, something that clobbers everyday empathy to start with.

In pace and earnestness the film recalls another lugubriously well-intentioned problem-piece by Pope for television, *Sweet As You Are*. The plot deals with young Oliver, son of divorced parents, who runs to his father with injuries allegedly received from other children. The suspicion grows that he is being habitually beaten by his mother's live-in lover. Dad's court action for custody is complicated by the fact that his own new partner is male.

The situation's potential tension is slackened by the film's determination to cross each t and dot each i. The only real homophobe is the brutal lover, played by Jason Flemyng with a hunched sideways stance that has "villain" written all over it. The character sums up the film's obstinate refusal to gel: he combines Mr Murdstone's grimly tyrannical moral precepts with the appearance and voice of a teenage nerd. What Joely Richardson's divorcee sees in him is a mystery.

The acting in general is marked by a dogged sense of occasion. The gay ex-husband is well played by the American Martin Donovan whose educated English accent only Professor Henry Higgins would fault for the odd transatlantic diphthong. Young Sam Bould steals the show as Oliver.

★

From gloss to dross. *Diabolique* is a crass, gross and generally naff remake of the gritty 1950s thriller *Les Diaboliques* directed by Clouzot (*Wages of Fear*) from the then fashionable wither-wringers Boileau and Narcéjac who also gave Hitchcock the idea for *Vertigo*.

Jeremiah Chechik's new version resites the seedy private school in Pittsburgh and, in casting the bullied wife and mistress who conspire to murder their evil tormentor, goes joyously barmy. In place of mousey Vera Clouzot, the fluttery wife is now gorgeous Isabelle Adjani; while Simone Signoret's battered sensuality is stridently succeeded by Sharon Stone's one-note strumpet voluntary.

Stone is the main reason for seeing the movie. She is the Lana Turner *de nos jours* and I intend no compliment. Playing somebody who is playing somebody is so far beyond her that the performance almost comes full circle in its convincingly enigmatic blankness. Add Chazz Palminteri, coarse features and Cupid's-bow lips, as the school proprietor, and Kathy Bates (*vice* Charles Vanel's sleazy tec in the original) as a cop with a masectomy, and you have a mess with nary a scary moment.

Plenty of shocks in *Dead Presidents*, however. These passed-on politicos are the faces on American banknotes; and a heist involving a fortune in used currency – brutal, violent, managing to be fast and interminable – marks the climax of the twin Hughes brothers' astonishingly assured film. Or possibly films: the 23-year-olds start with an African-American *Mean Streets*, switch to a Vietnam movie with such shots as a partly eviscerated and castrated GI still alive and begging for death, and revert to social comment and crime in the Bronx.

Two hours is too long though the set-pieces are undeniably powerful. Young protagonist Anthony (Larenz Tate) hardly hangs together as a character: sympathetic and well-meaning, his moral gear changes (suddenly he is planning the perfect robbery) are as arbitrary as the sophisticated cynicism the authors put into his mouth.

And while the piece dwells on the extreme results of black American deprivation its anger is vague.

Dead Presidents works, on a consciously sensational level, as a reminder that the richest state in the world consigns a large section of its population to a living hell. Is its freedom preferable to the battery hen existence of the old communist regimes?

★

Not to be confused with Arbuzov's play about young people maturing over the years to political change in Russia, *The Promise* is a German film about young people maturing over the years to political change in East Germany. Margarethe von Trotta directs a likeable, elegiac saga about star-crossed lovers Sophie, who escaped, and Konrad, who stayed; their occasional encounters over the years; and a final cautious meeting (is it too late? Does Sophie despise him now?) on a delirious night in 1989. There are reminders of the all-pervasiveness of a repressive state; and how monstrous the merely trivial and unreasonable can be – innocuous adjectives that open the door to limitless inhumanity.

★

Hong Kong awaits its political destiny; and, to judge by *Fallen Angels*, dances cheerfully on the edge of the abyss. The collection of oddballs whose mad, inconsequential progress we follow in the garish night-world promises more fun than the film actually delivers. My favourite is the young mute, struck dumb after eating a past sell-by date tin of pineapple as a child, who makes a living by breaking into other people's businesses after opening hours and running them all night.

There is a hit-man and the cleaning-lady-agent who loves him, and a scatterbrain Chinese blonde. Funny and touching in turns, the piece is overwhelmingly shot with every filmic trick in the book. This is TV commercial art at its brazen, innovative best. And that *is* a compliment.

★

Beaumarchais is based on an unperformed play by France's late actor-playwright-director Sacha Guitry, a less suburban Noel Coward. The author of *The Barber of Seville* and *The Marriage of Figaro* was a watchmaker-turned-spy-turned-gun-runner. Here he is a vaguely dashing hero, dispensing justice for the common man as a magistrate while indulging in sword-play with a jealous duke *en plein tribunal*.

The film aches for tinkly tunes to turn it into operetta. Distinguished faces put in token appearances (Michel Piccoli, Jean-Claude Brialy, Jeff Nuttall as a flabby Benjamin Franklin); Claire Nebout makes a good fist of the enigmatic Chevalier d'Eon; and Fabrice Luchini's bright-eyed quizzical little bantam, despite recourse to *un certain sourire* and little else, makes Beaumarchais believable as entrepreneur and scribbler, as great lover (just), but not as revolutionary or political activist. It may be Guitry's fault. Can you imagine a Noel Coward romantic comedy on Tom Paine?

HOLLOW REED
Angela Pope

DIABOLIQUE
Jeremiah Chechik

DEAD PRESIDENTS
Albert and Allen Hughes

THE PROMISE
Margarethe von Trotta

FALLEN ANGELS
Wong Kar-Wai (18)

BEAUMARCHAIS
Edouard Molinaro

Theatre

Blinded by the Sun and science

Alastair Macaulay on Poliakoff's new play

Sine Experientia Nihil Sufficienter Sciri Potest: the Latin motto hangs above the stage during Stephen Poliakoff's new play about attitudes to science, *Blinded by the Sun*. Since it means "Without experiment, nothing can be adequately known", it will also serve nicely as a motto for the arts.

Indeed, towards the end of this play, we may well feel that the discussion between Al (the play's bluff young science-professor protagonist) and Elinor (the leading research scientist in his department) is really about artistic creation. Al, who has an important new scientific idea, tells Elinor that he too has been in "the hell of creating something"; while she talks of the uneconomical nature of her work's "mystery".

But science is the main subject here. There is an unusual excitement in watching *Blinded by the Sun* unfold – just as there was with *Sweet Panic*, Poliakoff's last new play (given this February at the Hampstead Theatre). Where will it go? We never know. Al, a callow and cheerful young chap, becomes professor because of his flair for administration rather than his scientific achievements, and attempts, none too successfully, to reform the department.

Suddenly, eureka! Christopher, one of the faculty, announces that he has created the Sun Battery – a battery through which sunlight passes on to water to create hydrogen – which he demonstrates. Al, however, starts to scent a fraud. Dare he expose Christopher? And, if he does dare, will he bring ruin on his own department?

He does dare, as we find in Act Two. In so doing, to our surprise, he makes a whole new celebrity career for himself out of his scepticism. His star has risen; Christopher's, fallen. Meanwhile Elinor, the most impressive person in all the department, just plods on at her same one research project – until Al prepares to close the department itself, and thereby to end Elinor's uncompleted research.

You can hardly watch *Blinded by the Sun* without enjoying it. It is, agreeably, very Now; and the change in Al is one of its several impressive feats. If you saw *Sweet Panic* (which was about a child psychologist; and was, to my mind a more audacious and finished play), you can only admire the way Poliakoff has so soon tackled a completely different subject. (The two have just been published in a single volume by Methuen.)

Both plays lead up to serious dialectic between the two leading, and diametrically opposed, characters; both have elements of satire on the one hand while unfolding like a thriller on the other.

Still, the Latin motto says it all. Would that Poliakoff, like Al, had put in more *experientia*: *Blinded* takes too long to get anywhere (the first 15-30 minutes are a mess), and the device of framing it as Al's series of memories is its least interesting aspect. The play has several minor loose ends (why does Christopher lie about his age?), and rushes too hectically in Act Two. It also makes too obvious which characters are Good and which Bad.

Frances de la Tour plays the wry, cool Elinor with winning authority

And Ron Daniels, who directs the play, does less fine a job than Poliakoff himself did in directing *Sweet Panic*. One of the adjectives for Al in Poliakoff's text is "beady", but this is missing from Douglas Hodge's performance. Hodge, an assured actor, miscalculates by emphasising Al's yobbish aspect.

On the one hand, this coarsens the play, making too obvious too soon that its protagonist is insensitive and anti-intellectual; on the other hand, we never believe that Al could have ever made it in academe past the undergraduate stage.

Frances de la Tour, however, plays the wry, cool Elinor with winning authority. Duncan Bell is as completely believable as the opaque Christopher be; Indra Ové brings a peculiarly radiant force to the part of Al's mistress Joanna; and Graham Crowden and Walter Sparrow are enjoyable in minor roles. Orla Brady slightly overdoes the change in Christopher's wife Ghislaine, a slightly underwritten part, and Hermione Norris is simply bad in the the simply bad role of his assistant Barbara.

Still, flaws and all, *Blinded by the Sun* is enthralling enough on several levels while you are in the theatre. And, with both his 1996 plays, Poliakoff has resumed his place as one of our most arresting playwrights.

In Royal National Theatre repertory at the Cottesloe Theatre, South Bank, SE1

Ballet / **Clement Crisp**

Trotsky and Troy Boys

Under the banner *Sweat, Baroque and Roll* – oh, dear! – Scottish Ballet is touring a triple bill by choreographers better known on modern rather than classical dance terms.

Such cross-over artists can bring freshness to their new discipline, freed from preconceived and pre-digested notions. They can, ironically, also rely upon received ideas about their new language. This, I find, is the case with Mark Baldwin, Scottish Ballet's resident creator. His *Haydn Pieces*, using nine dancers and three Haydn piano sonatas, is about lovers meeting and parting, and the theme and the language seem equally predictable.

In post-modern mode, Baldwin can be cunning, mocking and beady-eyed about what music and dance do when put together by his own quick wit. (A little set of dances to Poulenc's *Soirées de Nazelle* a few years ago was splendidly on target). The Haydn sonatas – not the most *dansante* of choices – are treated unadventurously, and the cast, Oxfam outfitted and trapped in a murky setting, look more ready for a nice Trotskyite get-together than for amorous intrigue. It is all rather earnest, and poor Papa Haydn has been given heavy boots.

Robert Cohan's *Four Seasons* are, of course, Vivaldi's, its lively performance from the company's orchestra. The "look" of the piece – owed both to Norberto Chiesa's designs and to Cohan's dances – is bold; clear (and splendidly lit). The cast are for the most part athletes and sportive types, and the movement is buoyant. Each season is preceded by the right natural noises (birdsong; gales of wind) and introduced by Robin Bernadet and Kentaro Morita as lively heralds.

I enjoyed watching the dance, and I note in particular that Lorna Scott in an autumnal duet is sweetly generous in manner, and that Rupert Jowett, in very taxing solos as Summer, is bright, resourceful and blessed with reserves of mercurial energy.

The programme closes with *Troy Game*, Robert North's celebrated exercise in machismo and flexed pectorals. (It was referred to by one member of the audience as *Troy Boys*.) The eight Scottish chaps are nearly all beefy enough, most of the jokes are still good though some need a tighter physical outline, and muscles are preened Chippendale-fashion, much to the audience's delight. What would John Knox say?

I saw the programme on Tuesday at Edinburgh's Festival Theatre; the company tours next to Norwich, Stirling, Aberdeen, until the end of this month.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● LSO, Symphonie Orkest van Maastricht: with conductor Shlomo Mintz and cellist Matt Haimovitz perform works by Haydn and Bruckner; 11am; Sep 8

BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado and pianist Radu Lupu perform Brahms' Piano Concerto No.1 in D minor and Symphony No.1 in C minor; 8pm; Sep 6, 7

DANCE
Staatsoper Unter den Linden Tel: 49-30-2082861
● Apropos Scheherazade: a choreography by Maurice Béjart to music by Ravel, Stravinsky and Rimsky-Korsakov, performed by the Staatsballett Unter den Linden. Soloists include Kammertöcher, Scherzer, Liu and Thiel; 7.30pm; Sep 6

EXHIBITION
Ägyptisches Museum und Papyrussammlung Charlottenburg Tel: 49-30-3209126
● Theatrum Hieroglyphicum. Ägyptischen Bildwerke des Barock: exhibition of a series of 18th century pseudo-Egyptian statues and reliefs that were created for the Park von Wörlitz. The works on display give an insight into the ideas and perceptions of ancient Egyptian culture at that time; to Sep 7

OPERA
Komische Oper Tel: 49-30-202600
● Così fan Tutte: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper Berlin. Soloists include Ottenthal, Korovina and Henneberg; 7pm; Sep 6

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Il Barbiere di Siviglia: by Rossini. Conducted by Angelo Cavallaro and performed by the Oper der Stadt Bonn. Soloists include Anke Hoffmann and Mauro Augustini; 7pm; Sep 7

BRUSSELS

EXHIBITION
Musées Royaux d'Art et d'Histoire Tel: 32-2-7417211
● Magisch Goud – Schatten van de Etrusken en de Romeinen: exhibition featuring more than 200 gold and silver objects, spanning 2,000 years of Italian culture. The objects on display range from Etruscan jewellery from the 8th century BC to 13th century coins; to Sep 8

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Iván Fischer perform works by Scriabin and Rachmaninov; 8pm; Sep 6

COPENHAGEN

DANCE
Det Kongelige Teater Tel: 45-33-69 69 69
● Hamlet: a choreography by Peter Schaufuss to music by Sort Sol and Langgaard, performed by the Royal Danish Ballet and the Royal Theatre Orchestra; 8pm; Sep 6

HELSINKI

EXHIBITION
Amos Anderson Art Museum Tel: 358-0-640221
● Travels with Parviainen. Oscar Parviainen (1880-1938): travelling retrospective exhibition introducing the work of the Finnish artist Oscar Parviainen. The exhibition features oils, watercolours, drawings and prints dating from the artist's student days through to his mature works of the 1930s. Most of the works come from the Parviainen estate; from Sep 6 to Oct 13

OPERA
Opera House Tel: 358-0-403021
● Il Barbiere di Siviglia: by Rossini. Conducted by Okko Kamu and performed by the Finnish Opera. Soloists include Charles Workman, Kalevi Olli and Riikka Hakola; 7.30pm; Sep 6

LONDON

CONCERT
St. Martin-in-the-Fields Church Tel: 44-171-9300089
● Adelaide Chamber Singers: with conductor Carl Crossin perform works by Pärt, Palestrina and Barber; 1.05pm; Sep 6
Wigmore Hall Tel: 44-171-9352141
● Kevin Kenner: the pianist performs Chopin's Nocturne in B, Op.62, Waltz in A flat, Op.42 and Prelude in C sharp minor, Op.45; 11.30am; Sep 8

EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6935254
● Dutch Flower Paintings, 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are from private collections; to Sep 29

MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofía Tel: 34-1-4675062
● Paul Strand: The world on my doorstep, 1950-1976: travelling exhibition organised by the Paul Strand Archive at the Aperture Foundation. This exhibition comprises 150 black and white photographs and is the first major European presentation of Paul Strand's work since his death in 1976; to Sep 25

MONTREUX

CONCERT
Auditorium Stravinski Tel: 41-21-9622111
● Orchestre de la Suisse Romande: with conductor Armin Jordan and violinist Natalia Gutman perform works by Dvořák and R. Schumann. Part of the Festival de Musique Montreux-Vevey; 8pm; Sep 7

NEW YORK

EXHIBITION
Museum of the City of New York Tel: 1-212-534-1672
● Drawing the Future: Design Drawings from the 1939 New York World's Fair: focusing on the art of the futuristic drawings that provided the vision for the 1939 New York World's Fair, this exhibition presents about 40 original architectural renderings and illustrations from the museum's collection of nearly 400 drawings prepared for the 1939 World's Fair; to Jan 5

FESTIVAL
Alice Tully Hall Tel: 1-212-875-5050
● CMJ MusicFest: annual festival showcasing 500 artists from the alternative music community at more than 35 New York City venues. The festival is famous for *breaking once struggling* acts such as R.E.M., Nine Inch Nails, U2, Red Hot Chili Peppers, Alice In Chains, Green Day and Soundgarden; to Sep 7

PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Comme un Oiseau: this *exhibition explores the universe of birds as seen through human eyes, from some of man's earliest art to the most recent experiments in contemporary art.* Artists represented include Felix Gonzalez-Torres, Baselitz, Gabriel Orozco, Brancusi, Calder, Tinguely, Magritte, Miró and Zadkine; to Oct 13

VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Les Contes d'Hoffmann: by Offenbach. Conducted by Jun Märkl and performed by the Wiener Staatsoper. Soloists include Viktoria Loukianetz, Eliane Coelho and Heinz Zednik; 6.30pm; Sep 6

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

When Europe signs off

The troubles at Olivetti's PC business could be a worrying symptom of a more general European inability to compete in the industries of the future

Carlo De Benedetti's departure from Olivetti marks a watershed for Europe's electronics industry. Not because the business is losing him – his reputation as a European industrial statesman was always somewhat exaggerated – but because of what his resignation represents.

Together with the restructuring provisons at Olivetti's personal computer operations announced at the same time, it symbolises the failure of Europe's attempts to build an international personal computer business. It is an industrial failure as *significant as any in the* past half-century.

Olivetti itself had abandoned its global PC ambitions several reorganisations ago, retreating to the European market. France's Bull had handed over Zenith to Japan's NEC. Britain's Amstrad had retrenched to niche products in its local market. Britain's Sinclair Research, Sweden's Ericsson and the operations ICL acquired from Finland's Nokia had drifted out of contention. Even purely regional ventures, such as Germany's Escom, had proved unviable.

What remains of the European industry is a clutch of niche players, some sizeable foreign-owned operations, and Siemens-Nixdorf, which appears to be able to survive in the PC market because of its strong customer base as a systems integrator. Few of the remaining European-owned operations possess their own technology: most of them assemble components designed and made abroad.

That Europe has proved so strikingly uncompetitive *in this business is itself* worrying enough. More worrying still is the possibility that the PC fiasco is a symptom of a more general European inability to compete in the industries of the future.

Behind Europe's failure in PCs lie a number of factors. The most important is that this is an industry on which the US has had an arm-lock since its earliest days. Taiwan apart, there are no other countries with a strong international business in desktop PCs. Japanese companies have succeeded in playing an international role only in the market for portables.

Even that understates the degree of US dominance: Intel and Microsoft supply the heart (the central processor chip) and soul (the operating system software) of almost all PCs sold worldwide. Without a strong *working relationship with* these two companies, a PC maker cannot hope to succeed. Physical and cultural proximity to Intel and Microsoft has thus been an important ingredient in US dominance of the industry.

It was always going to be hard to compete against US companies in the PC market. But there were other factors at work – and on these it is less easy to explain away European failure. The PC business is a particularly good example of one of modern manufacturing's most striking trends: towards an ever-shorter product cycle. This places great stress on design and engineering teams. Some companies do this well, others badly. Europe has no monopoly of either category. But the shorter product cycle also requires speed and deftness from the rest of a company's business system – and this is where European companies have seemed poor competitors.

In particular, a shortened product cycle requires a company's marketing teams to be consistently forward-looking, since they must identify customer requirements with great precision. Getting this *wrong – with a product* which is over-specified or under-specified for the next selling season – means missing the whole of the sales window. And because marketing teams must go through this process several times a year, instead of once every two to three years, the opportunities for failure are much greater. A single badly handled product season can force a thinly capitalised company to scale back its ambitions.

Limited ambition was a particular handicap in the PC business, which operated on a global scale almost from the outset. Driven by standard shrink-wrapped software (mostly American) it overcame the barriers of language and proprietary technology which had previously ensured a precarious survival for national mainframe and mini-computer makers.

Attempting to operate at national or even regional scale in the PC business was never likely to prove a recipe for success. True, niche players with low costs and bought-in technology could survive. But they could not grow to any significant size; and their profitability would remain at the mercy of their technology suppliers.

Few European PC companies attempted to rise to the challenge of global scale. And for those that did, the response was almost a parody of national attitudes to globalisation. British companies attempted to build on what they saw as the special relationship with the US. But a common language and corporate names that could pass as American did not provide any sustainable competitive advantage.

France's Bull exploited its state-backed balance sheet to buy its way into the American challenge by acquiring Zenith, then a leading maker of portables. But the purchase proved mistimed, the new parent was unable to manage its unruly offspring, and Zenith rapidly lost its market lead.

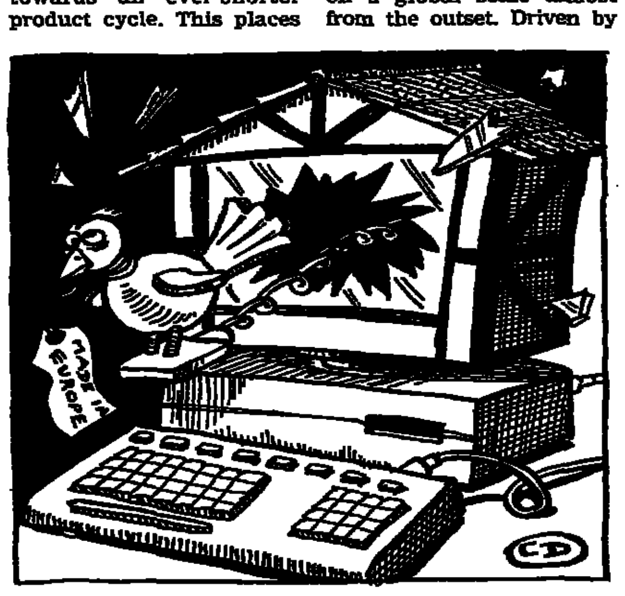
Italy's Olivetti relied on *design flair and a series of* intimate relationships to build its global PC presence – at its peak probably the most significant European attempt to compete worldwide. But the distinctive European design of its PCs did not always travel well. *And its relationships, such* as that with AT&T, were too tempestuous to offer a stable platform for global scale.

Without such scale, the European industry was at a serious, perhaps fatal, disadvantage. This was compounded by another factor typical of today's growth industries: the tension between pricing and profitability. In a business driven by volume growth, Europe's high overheads posed a permanent problem. How could any European PC company hope to achieve acceptable profits if it followed the rock-bottom pricing that rapidly became the norm? But without pricing at such levels, how could any company achieve the volume necessary to run profitably?

Only internationally competitive costs allowed any escape from this conundrum. Yet the two west European countries with potentially low costs – the UK and Italy – found themselves burdened, during the critical years of the PC industry, with intermittently overvalued exchange rates. The potential advantage slipped away.

European managers can console themselves that in few industries does the US possess the effortless dominance it has always achieved in PCs. But the other factors at work in Europe's PC failure – the product cycle, the challenge of global scale, the need for rock-bottom pricing to achieve volume – are all common features of growth industries. Unless Europe's managers learn the lessons of the PC failure, they are doomed to repeat it.

Carlo De Benedetti spent much of the past decade lec*turing European policy*makers on their failure to create the conditions for economic success. His time might have been better spent building on his success in the world PC market. Had he done so, he might still be in charge of *the company he saved in the* 1970s and 1980s. And he might have provided Europe's managers with a solution to a series of problems they will face, in every industry, with increasing frequency in the years ahead.



BOOK REVIEW · Tony Jackson

MEAN BUSINESS: by Albert J. Dunlap with Bob Andelman
Times Books, $25.00, 289pp

Loudmouth doctor for sick companies

Al Dunlap has come to occupy a curious place in American business life. Any man who can make $100m (£64.5m) for 18 months' work, as Dunlap did as chairman of Scott Paper, is hard to overlook. But for every US manager who admires him, you will find another who dismisses him as a self-serving loudmouth.

Mean Business, which Dunlap offers as his business testament, gives plenty of fodder to both camps. On the one hand, the promotional drumbeat is relentless: a self-styled superstar, Dunlap seems perpetually astonished by his own intelligence, determination and ready wit. But he also offers something more concrete: practical instruction on his speciality, the rescue of sick companies.

Since Dunlap is by now one of the most experienced turn-round merchants on the planet, this is plainly of interest to fellow-specialists. But he also contends that his methods have universal application. It is this issue, more than any other, which divides his followers and detractors.

His approach can be simply illustrated. Take, for instance, the question of timescales. If a company cannot be turned around in *12 months, Dunlap argues,* it cannot be turned around at all.

"I take a yellow legal pad crammed with notes to operating committee meetings", he writes. "I [specify] the day when I expect each assignment to be completed. *If something is supposed to* be done by Thursday, on Tuesday I'll start asking if it is done. I always move the target up."

Above all, Dunlap says, the new boss must destroy the old culture. If it has failed in the past, it will *never succeed in future.* Start by firing people from the top down, and always bring in your own team of trusted helpers from previous turnarounds.

When it comes to cutting costs, remember you can outsource practically anything: payroll management, the personnel department, truck scheduling. Squeeze your suppliers: "the easiest money you will ever make – like taking candy from a baby". Get rid of company cars. Abolish all magazine subscriptions, trade association memberships and charitable donations.

Run the business for the benefit of shareholders, first and last. When assembling your board, pick an investment banker and an experienced lawyer. Include successful chief executives from other companies, but avoid "the token failed CEO who needs a job or a second pension". Limit directors' tenure to five years. Pay them only in stock.

Having done all that, what about a growth strategy? It is here that the doubts creep in. Dunlap insists he is a long-term planner, and regards marketing as central to the process. But the chapter on marketing is one of the shortest in the book, and turns out to be mostly about cutting product lines.

Then again, the long term scarcely figures in Dunlap's record. Until he shot to *prominence at Scott Paper,* he worked as a hired gun for such professional restructurers as Kohlberg Kravis Roberts and Sir James Goldsmith. Even at Scott, he ended his brief stay by selling the company to a larger rival, Kimberly-Clark. While *the company's value gained* a staggering $6.5bn in the process, Scott's future was left in other hands.

Business, Dunlap repeatedly tells us, is simple. People over-intellectualise it because they do not understand it. Well, perhaps. But there is another way to *make things simple:* by leaving the tricky bits out.

The trickiest issue of all is precisely that of corporate culture: what one might term, at the risk of sentimentalising, a company's soul. It is in the nature of people, when grouped together at work, to create common links: rules of conduct, habits and loyalties.

Corporate outsiders, such as Dunlap and his mentor Goldsmith, seem temperamentally hostile to such links. They prefer to create systems of their own, through friends, followers and personal advisers. This makes them ideally suited to breaking down cultures which have gone wrong. Arguably, it disqualifies them from creating new ones.

This is not a trivial issue. It may well be that companies cannot function in the long run without the common understanding which employees need to make the workplace human. Scott has a new culture, but it is that of Kimberly-Clark; and Kimberly-Clark is a big, old-established company of a sort which *Dunlap professes* to despise.

Popular instinct assigns a higher reputation to those entrepreneurs who can create lasting cultures. Henry Ford and J.D. Rockefeller built organisations which outlived them. In time, so may Bill Gates of Microsoft.

But when dedicated individualists such as Dunlap, Goldsmith and even Lord Hanson depart from the scene, their legacy may come down to no more than a healthy personal bank balance. As an achievement, that *is not to be despised:* but it must not be confused with genuine wealth creation.

Mean Business *is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

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Letters may be faxed to +44 171-873 5938 (please set fax to 'fine') ... available on the FT web site, http://www.FT.com ... in the main international languages.

UK industrialists fear damage from Emu isolation

From Mr Tony Hales and others.

Sir, The suggestion that Britain should rule out participation in the European single currency – either as one of the first group of countries to join or for the lifetime of the next parliament – is based on a serious misunderstanding, both of the process of monetary union and of our interests as a trading nation.

As representatives of companies whose trade in Europe generates billions of dollars of export business and creates tens of thousands of jobs in this country, we believe that a self-imposed exclusion from negotiations over Emu would be deeply damaging.

Many aspects of monetary union remain to be resolved. Leaving an empty chair at the table would mean that British interests would be unrepresented as crucial decisions were taken.

Such a gesture, of far from splendid isolation, could leave British businesses at a competitive disadvantage for years to come – whether or not Britain eventually chose to join.

Continued participation in the preparation process and retention of the choice over membership would not only ensure that we had the opportunity to protect our own interests but it would also help to reassure inward investors who would, perhaps rightly, interpret any decision to rule out membership as the first act in a process of disengagement from one of the largest markets in the world.

Tony Hales, chief executive, Allied Domecq,
Martin Broughton, group chief executive, BAT Industries,
Sir Richard Evans, chief executive, British Aerospace,
Sir David Simon, chairman, The British Petroleum Company,
Sir Bryan Nicholson, chairman, BUPA,
Prof Alan Watson, chairman, Burson-Marsteller/Europe,
Peter Smith, chairman, Coopers & Lybrand,
Sir Richard Sykes, deputy chairman and chief executive, Glaxo Wellcome,
Tony Greener, chairman, Guinness,
Christopher Haskins, chairman, Northern Foods,
Sir Clive Thompson, group chief executive, Rentokil Group,
John Jennings, chairman, The Shell Transport and Trading Company,
Ross Buckland, chief executive, Unigate,
Niall FitzGerald, chairman, Unilever,
Nick Reilly, chairman, Vauxhall Motors

Change law on trade and aid to resolve confusion

From Mr Barry Coates.

Sir, Your thought-provoking leader "Trade and aid" (September 2) lays bare the confusion at the heart of the UK's aid programme. The government appears to have two objectives: helping the world's poorest people and helping UK business. This was, as you say, clearly exposed when the World Development Movement took the government to court over the Pergau Dam. However, the two objectives need not be incompatible.

The confusion can be resolved by amending the act governing overseas aid to make poverty alleviation the overriding aim, supported by a requirement that both taxpayers and beneficiaries receive value for money. While this would end the system of tied aid, it would create economic benefits in the UK and overseas. This would be good news for poor people and good news for British businesses which would, at last, have a level playing field on which to compete.

Barry Coates,
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Waste value in futures

From Mr A.W. McCarthy.

Sir, The decision by O.M. Gruppen to include waste paper in its futures market ("Swedish group to launch London pulp futures", August 30) may help to re-classify many other alleged "wastes" into recyclable commodities – paper, plastics, oils, textiles, glass and scrap metal, to name a few.

All can be recycled and, irrespective of the economics, recycling is a far better alternative to landfill, as well as saving the environment by not using natural resources to make products.

Present and future hazardous waste legislation includes these recyclable wastes, in addition to the hazardous wastes the legislation was designed for.

This places impossible financial and regulatory constraints on those parties genuinely involved in recycling – ironically resulting in more materials going to landfill.

Assessing values to recyclable wastes, by way of a futures exchange, may be the first step in the right direction. Some, like glass and plastics, may prove to have a negative value after treatment.

Could such an exchange be a truly terminal market and handle negative as well as positive values?

A.W. McCarthy,
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Bucks SL7 2BP, UK

Cayman Islands banks no haven for money laundering

From Sir George A. McCarthy.

Sir, Stephanie Flanders' article "Cleaning up the global economy" (August 26) would have been a valid article had she not mistakenly used the Cayman Islands as an example to underpin her argument. She was quite wrong to imply that the large number of companies registered in the Cayman *Islands* are vehicles for money-laundering.

Furthermore, if Stephanie Flanders believes that the size of bank deposits alone is evidence that a financial centre is a haven for money-launderers, then perhaps she should have looked to London, New York or Tokyo.

The Cayman Islands was the first Caribbean jurisdiction to be scrutinised by the G7's Caribbean financial action task force and was commended on its regulatory procedures and anti-money laundering legislative framework.

Finally, it is obvious that your cartoonist has never visited the Cayman Islands. Otherwise he would have known that it would not be legally possible for anyone to wander in and make a large cash deposit in any Cayman Islands bank which also benefit from tight security and excellent policing.

George A. McCarthy,
financial secretary,
Cayman Islands government,
Cayman Islands

COMMENT & ANALYSIS

FINANCIAL TIMES
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Thursday September 5 1996

Hard labour for France

French gross domestic product shrank 0.4 per cent in the second quarter of this year, news that must have caused Mr Alain Juppé, the prime minister, *une petite crise cardiaque*. Mr Jacques Chirac, the president, insisted at last weekend's meeting with the German chancellor, Helmut Kohl, that "we fulfil the Maastricht criteria". Mr Juppé will need courage and luck to make his master's boast true.

The economy is not helping. Over the year to the second quarter of 1996 real GDP grew a mere 1.2 per cent. More important, over the six years to the second quarter of 1996 the economy expanded at an average of 1.2 per cent a year. One result has been the rise in unemployment, from 8.8 per cent of the labour force in August 1990 to 12.5 per cent by July 1996. Another has been the deterioration in the public finances. Back in 1990 France easily met the Maastricht fiscal criteria, with a general government deficit of only 1.6 per cent of GDP. That had grown to 5 per cent by 1995.

The fiscal deterioration is itself largely caused by the tight monetary policy dictated by the *franc fort*. The question now is whether France can turn the deficit round while maintaining the tight D-Mark link. It is only by doing both that France can be sure of attaining economic and monetary union – the goal of 13 years hard labour.

In the course of this month the government will announce plans for 1997 – on whose outcome the first round of Emu candidates will be selected. Largely because of the slow growth, it will start from a deficit of around 4½ per cent this year, not the planned 4 per cent.

Moreover, cutting the deficit by 1½ percentage points of GDP would be difficult even if growth were to be 2½ per cent between 1996 and 1997. It will be made no easier by the commitment to admittedly modest tax cuts of FFr20bn (£2.5bn).

Goldman Sachs, for example, argues that total general government spending would have to be cut by more than 1 per cent in real terms, which has not been achieved in recent years. Much fudge may have to be swallowed. If growth were not to recover soon, it might prove indigestible, even by the most willing of Germans.

With fiscal policy contractionary and a good chance of disruptive protests in consequence, monetary policy must ride to the rescue. The Bundesbank did help by cutting the repurchase (or "repo") rate to 3 per cent two weeks ago, allowing the Banque de France to cut its intervention rate to 3.35 per cent. French interest rates are now very close to German ones throughout the yield curve. But real short-term interest rates are still decidedly positive, at about 1½ per cent.

Moreover, while year-on-year growth of German broad money (M3) has been close to 8 per cent, there is no monetary growth in France. If France were following a purely domestic monetary policy, lower short-term interest rates would have been inevitable. Instead, the French government is reduced to hoping that the Bundesbank has loosened enough, domestic growth will be fast enough and the French public will prove tolerant enough to make its gamble pay off. It will know quite soon.

A spouse's spice

It was the big hope for ratings in America, so it was bound to come to Britain.

After Hillary and Liddy entered the ring, fighting with no smiles barred for the title of US first lady, Norma Major has decided to unleash her charms on the viewers to try to win a second term for her husband John, the UK premier.

Whereas Hillary Clinton was all pastel politics at the Democratic convention, Elizabeth Dole gave the Republicans scripted schmaltz with cream on, claiming to "speak with friends about the man she loved" and his war wounds. What Norma will wear or say, and whether Cherie (wife of Tony Blair, the Labour leader) will retaliate with fragrance or factoids, remain secrets of campaign managers' scripts.

But it is clearly time to offer guidelines as to how the spouses of top politicians should comport themselves, on the stump and in office.

If possible they should be people of character, who know a thing or two about politics, with spicy views and shrewd judgment; preferably with a successful career and enough cash to keep them out of temptation. They should stand firm against the leader in private, ever ready to criticise and advise, but never to interfere.

However, they should shun interviews and cameras except on formal occasions. For the policies on trial are the leader's, not theirs. If they are known as strong but shadowy characters, preferring golf to party conferences, their partner's prestige will only be enhanced.

It is, indeed, hard to find a finer example in this role than the previous British incumbent, Sir Denis Thatcher.

Postal strikes

In staging a series of one-day strikes throughout the summer the Royal Mail's postal workers have so far contrived to shoot themselves in the foot. To escalate the action would be to turn the gun to their head.

By deciding to postpone until next week any call for additional stoppages, the executive of the Communications Workers Union has at last shown a glimmer of common sense. During the latest strike this week, a significant minority of its members defied the union and reported for work.

The government has warned that further action will trigger a three-month suspension of the Post Office letter monopoly. So the hope must be that the momentum behind the dispute has been lost, and that the management's offer on pay and conditions will now be put to a ballot of union members. But in suggesting that they could yet seek to prolong the dispute, some members of the executive have displayed once again the bone-headed short-sightedness which has cost the trade union movement so dearly during the past decade.

Postal workers have a good case for a generous award. Their productivity has risen sharply. So too has the profitability of the Royal Mail. Customer satisfaction is at a higher level than in other, privatised, monopolies. There is cause too for irritation at the Treasury's ill-considered raids on the industry's profits.

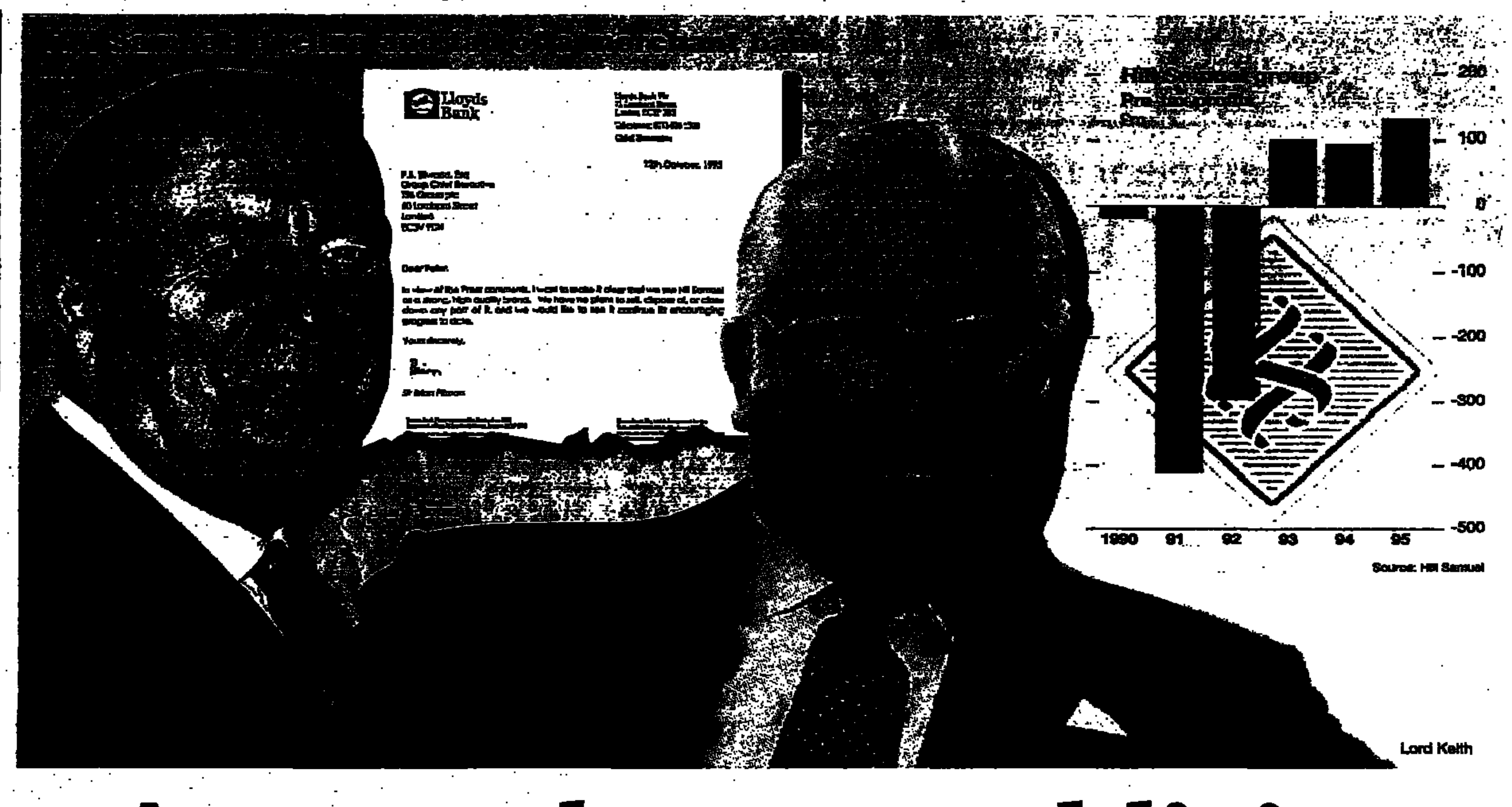
By any standards, though, the Royal Mail's offer is worth careful consideration. It would give delivery and sorting staff an average pay increase of £10 a week, a guarantee of job security, a one-and-a-half-hour cut in the working week, a move to a five-day week and longer holidays. To break the deadlock, Royal Mail managers have also agreed that the vexed issue of changes in working practices – so-called teamworking – should be considered by a joint committee under the chairmanship of the conciliation service Acas.

So the refusal of the union's executive to put the package to members in a ballot has brought justified suspicions that a majority on the executive is more interested in playing politics than in promoting the interests of members. It has long been clear that Mr Alan Johnson, the union's moderate general secretary, favours a ballot.

An end to the strike, however, would not of itself provide the right answer for the industry. The union's blanket refusal to contemplate team-based working arrangements is reminiscent of the attitude of unions in Britain's now shrunken car industry. Royal Mail faces ever stiffer competition, from technological advance and from private sector carriers. Its workers cannot expect to defend the working practices of the 1970s.

In seeking to do so, they simply strengthen the case for a more radical shake-up of the industry.

The irony in all this is that the union was at the forefront of the campaign which forced the government to abandon its plans to sell the Royal Mail. Its subsequent attempt to cling to the past could hardly have done more to unravel support for the case that the industry belongs in the public sector. The arguments for privatisation have always been strong. Now they are compelling.



Lord Keith

A countdown to oblivion

John Gapper investigates the indecision and mistakes which led to the takeover and then the demise of Hill Samuel Bank

From his country home in Norfolk, the 80-year-old Lord Keith of Castleacre has observed in sorrow and anger the death throes of the merchant bank he created. "I worked long and hard to build up Hill Samuel, and it has been blown apart by people who do not know what they are doing. I think it is a tragedy," he says.

Kenneth Keith, ennobled in 1980, was the architect of a merchant bank that, along with S.G. Warburg, came to epitomise the breed of aggressive City of London institutions which emerged after the second world war. Hill Samuel competed with the houses of Morgan Grenfell and J. Henry Schroder Wagg, and earned a place with them as a leading adviser in the wave of takeovers in the 1960s.

Yet in a few months, Hill Samuel Bank will be no more. Within six months of the merger of the two banks that now own it, Lloyds and TSB Group, its fate was sealed. Despite assurances at the time of the merger by Sir Brian Pitman, chief executive of Lloyds-TSB, it has been broken up and most of its parts are now being absorbed into the parent bank. Last week Mr John Sclater, the chairman, and Mr John MacGregor, the deputy chairman, lost their jobs in the first wave of redundancies, with 100 others.

For shareholders of Lloyds-TSB, a financial monolith that will pump out pre-tax profits of £2.4bn this year, this rationalisation makes sense. "We have preserved a substantial part of revenues, and removed a lot of costs. It creates a useful benefit to shareholders," says Mr Alan Moore, deputy chief executive.

Yet the crushing of Hill Samuel Bank has more significance than it represents for the dividends of Lloyds-TSB investors. With Barings, Kleinwort Benson and S.G. Warburg having passed into foreign ownership in recent years, the disappearance of another British merchant bank leaves the few that remain – notably Schroders – appear even more vulnerable.

Furthermore, the manner in which Hill Samuel was weakened, then resuscitated, and finally buried under the ownership of TSB Group marks one of the most peculiar episodes in the City of London's recent history. It was one in which several hundreds of millions of pounds – mostly belonging to private shareholders in the former Trustee Savings Banks – were needlessly thrown away.

The last days of Hill Samuel under Lloyds-TSB are an object lesson in City *realpolitik*. On October 12 last year, Sir Brian wrote to Hill Samuel staff assuring them that Lloyds had "no plans to sell, dispose of, or close down, any part of" their bank. But a few months later, Sir Brian and Mr Moore had set in train all three courses of action.

The bank they dismantled was created in 1965 by Keith who had built up a corporate finance business at Philip Hill Investment Trust after the second world war. In the 1950s Philip Hill took over Higginson & Co and the accepting house Erlangers before merging with the traditional merchant bank, M. Samuel & Co.

During the 1960s Keith, and a group of directors built Hill Samuel into one of the strongest merchant banks in London. "All of the other merchant banks were slow to adapt, and that gave us a considerable opportunity," Lord Keith recalls. It advised aggressive industrialists including Mr Charles Clore during the restructuring of several UK industries.

Yet by the 1980s, Hill Samuel was not quite the same force. It had diversified into insurance broking and pensions advice, opened branches in several cities and bought the stockbroker Wood Mackenzie. "The management had its eyes on about 100 different things at once, and things had drifted," recalls one director.

The way out chosen by directors was to sell the bank to Union Bank of Switzerland. However, the Swiss bank turned down the deal after examining the books. This and a failed attempt by two of its corporate financiers to strike a deal with Barclays de Zoete Wedd left Hill Samuel feeling exposed to predators. It had already started to concentrate more on lending and was looking for a backer with deep pockets.

It turned to TSB, which had just floated on the stock market and was awash with capital. TSB bought the bank for £777m in October 1987 and injected £5bn of fresh money into lending. It was an ill-timed move, accentuated by Hill Samuel's lack of controls. "The last thing it needed was for a rich, stupid bank to encourage its vices," a director says.

By 1992, Hill Samuel had about £500m of bad loans on its balance sheet.

To clean up, TSB appointed as chief executive Mr Hugh Freedberg, a former head of the Mortgage Corporation, a private mortgage lender. He spent two years attempting to improve its technology and management controls.

Mr Freedberg's efforts to improve controls were respected, but by background and training he was not a natural head of a merchant bank. Some corporate financiers felt stifled by the committees he introduced. This exacerbated in-fighting among the department heads. "People felt under pressure, and had different ideas about what to do," says a director.

The pressures were increased by TSB's decision at the end of 1992 to seek a buyer for Hill Samuel. After a memorandum prepared by Morgan Stanley had circulated in the City for a year without any takers, Sir Nicholas Goodison, chairman of TSB, reversed the strategy. The board accepted a three-year plan from Mr Freedberg to develop Hill Samuel.

Mr Freedberg says the main difficulty Hill Samuel faced was constant uncertainty in the early 1990s. "It was like being in a Formula One race, where you have to keep entering the pits for repairs," he says. Yet he argues that the bank had started to pull together by the end of 1995. Profits in the merchant banking side had risen to £86m.

At this point, Lloyds and TSB merged. Lloyds had closed its own merchant bank during 1992, and there was dismay at Hill Samuel. "One problem with a merchant bank is that the staff have a tendency to disappear," says Mr Moore. "There was quite a fear from Hugh Freedberg and others that Hill Samuel's people might walk out."

So Sir Brian sent his brief letter the day after the merger was announced, insisting that "we see Hill Samuel as a strong, high-quality brand". It still irks some Hill Samuel directors, although Mr Moore insists that it was not intended to deceive. "Things have to be read in the light of circumstances. There was no preconceived plan to close it," he says.

Yet Sir Brian's letter made convenient use of an ambiguity. The Hill Samuel brand he respected was Hill Samuel Assets Management which managed about £14bn in funds, mainly TSB pension funds.

Two months after the merger was announced, Lloyds had devised plans for Hill Samuel. The investment management arms of all the banks would combine under the name of Hill Samuel Asset Management, while the leasing arm of Hill Samuel would be folded into that of Lloyds. Hill Samuel's treasury would also be combined with that of Lloyds-TSB.

By January, Mr Freedberg found himself in charge of the rump of the merchant bank – a severely denuded operation which could no longer support its costs. For it to survive, it would have had to expand activities such as project finance. "We would have had to put our foot on the accelerator to make it work," says Mr Moore.

But traditional merchant banking could not compare with the other Lloyds-TSB operations such as mortgage lending in terms of consistency of earnings. "That is what we live by. That is Lloyds," says Mr Moore. "It would have led to endless aggravation and tears if we had falsely let them believe we would support them in their expansion plans."

By January, Lloyds-TSB had appointed Phoenix Securities, a corporate finance adviser, to try once again to find a buyer. This time, a South African bank expressed interest, but the effort to sell did not succeed. The fact that Hill Samuel by now lacked a fund management arm made it far less attractive to a buyer wanting a London presence.

With high-level staff departures starting to accelerate, Lloyds-TSB allowed the 100 corporate finance staff to move to Close Brothers for £1m. The corporate finance arm was worth far less than TSB had paid for it: it had to write off £69m of goodwill on this move in its half-year accounts. Most of Hill Samuel's remaining 500 staff face redundancy.

The Hill Samuel name will remain in asset management, and may also live on as Lloyds-TSB's private banking brand. But it will no longer be the name of a merchant bank.

"It is a great shame, but that is how the world works. It is not as if anyone set out to nobble Hill Samuel, or treat it nastily," says Mr Freedberg of Lord Keith's dying bank.

· OBSERVER ·

Stockholm shudders

■ Memories of the Atlanta Olympics are fast fading – except in Sweden, where some are having doubts about Stockholm's bid to stage the Games in 2004.

Its city council is bidding to bring the Olympics to Sweden for the first time since 1912. But if Stockholm's politicians might like the Games, then voters don't. An opinion poll in the Stockholm daily Dagens Nyheter yesterday suggested that recent marketing efforts to sway ... have backfired. Support for staging the Games ... post-Atlanta. ... per cent of those polled are ... as opposed to 32 per cent ...

... the International Olympic Committee's inclination to go to places it's not wanted, Stockholm's promoters are now out on a limb. Olof Stenhammar, a prominent businessman and head of the Olympic bid, rebuts the poll: "It's not the message we receive when we meet people," he says.

Stenhammar insists the Games won't drag Stockholm into the red. The city's ruling Social Democrats believe the event would generate 40,000 much-needed jobs, and the government has issued a SKr2.5bn guarantee to cover any losses.

But belt-tightened voters clearly have other ideas. They recall last year's world athletics championships in Gothenburg – a financial fiasco.

Silly, if not mad

■ Franz Fischler was let off the hook on Tuesday by some insipid MEPs, members of an investigative committee with a brief to probe allegations that Brussels bureaucrats were involved in a mad cow disease cover-up in the early 1990s.

As master of the European Union's farm policy, Fischler appeared at the committee's first session, to answer questions about mad cows and conspiracies. The MEPs failed to draw blood.

Not once, for example, did the name Guy Legras cross their lips, despite the fact that the day before, the French newspaper Libération published some interesting letters written by Legras in 1993.

In those, Legras suggested discussions about BSE should be kept to a minimum, so as to avoid problems for the beef market. *Legras is a key figure in Fischler's working life, being the top civil servant on EU farm policy.*

You might think the MEPs would have asked Fischler about all that. We think you'd be mad to expect it.

What a sell-out

■ Less than a year to go before Hong Kong returns to China – the relevant date is July 1 – and it's business as usual on the British colony.

There's now a boom in handover memorabilia, with specially minted coins, T-shirts (one of which bears the message "The Great Chinese Take-Away"), watches, crystal statues, cigarettes, and even a pornographic magazine called *Hong Kong 97*.

This marketing frenzy, capitalising upon what the Hong Kong Standard newspaper describes as "the ultimate, once-in-a-lifetime consumer event" is, as you might expect, officially frowned upon by China, which has even banned trademarks using or containing "1997".

But you can't stop the entrepreneurial spirit from blasting through; one Chinese company has taken out full-page ads in Hong Kong newspapers, touting a brand of cigarettes called "1997".

Beyond all credit

■ Anyone got a name for the soon-to-be amalgamated Crédit Local de France and Crédit Communal de Belgique?

The two banks are proposing to merge by the end of 1996, but they've yet to agree a new joint name, logo and corporate colours.

Top executives at the merged Franco-Belgian bank – which will specialise in lending to local authorities – are in fierce dispute. The banks must have a new image to encapsulate visually the alliance and the projects it will fund.

Moreover, its new name must be short, attractive, easy to pronounce, and not mean anything vulgar in any of the principal working languages of French, Flemish and English.

They have to get a move on. By October the debate should be over, ready for a shareholders meeting to rubberstamp the deal.

This kind of thing costs a fortune. Observer will take a mere 1 per cent of the corporate designers' fees for its Gordian knot solution – 'Credit Credit And Yet More Credit'.

Special effort

■ Is there no limit to the *self-sacrifice of US politicians?*

One of the special events at this month's New Mexico State Fair is none other than "Governor Gary and Dee Johnson's Drug Free Day".

The Financial Times

100 years ago

Colonial Competition

During the last fortnight *there have been over 1,000* visitors to the London Chamber of Commerce in Eastcheap to inspect the sample collection from the British West Indies of foreign articles, which find a sale in those markets and which were sent home in response to Mr. Chamberlain's despatch to the Colonial Governors. It was originally announced that the exhibition would close to-day but in consequence of the great attention which the samples have attracted, and of the fact that the attendance was increased rather than diminished it has now been decided to continue the exhibition until next Saturday.

50 years ago

India's First Foreign Loan

The government of India has granted a loan of Rs.50,000,000 (£3,750,000) to Siam – the first loan ever made by the Government of India to a foreign country. The loan, which is for 20 years and carries interest at the rate of 3 per cent., is expected to help to lay the foundation of intimate trade relations between the two countries. The agreement was signed by Sir Hugh Hood, Principal Secretary of the Finance Department, on behalf of India, and Nai Halilahmien, Permanent Head of the Siamese Treasury.

FINANCIAL TIMES
Thursday September 5 1996

German government to freeze payments

Bonn and Brussels in deal over aid for VW

By Caroline Southey in Brussels and Wolfgang Münchau in Frankfurt

A compromise has been reached over state aid payments for Volkswagen, averting a full-scale confrontation between Bonn and the European Commission.

Under the deal, announced by the Commission yesterday, the German government will freeze funds it was due to pay Volkswagen equivalent to the disputed DM90.7m ($61.20m) already paid to VW by Saxony state authorities.

Mr Karel Van Miert, European competition commissioner, said the deal would "neutralise" the effect of the aid, and the Commission had dropped plans to seek a court injunction against Bonn to freeze the payment.

He warned, however, that the Commission reserved the right to "return and take action should the commitment not be fulfilled". The Commission has been at loggerheads with Bonn since July, when Saxony paid Volkswagen DM90.7m as part of a DM240m aid package blocked by the Commission in June.

The deal, however, is unlikely to end the dispute. It fails to settle the issue at the centre of the row and one of the most sensitive areas in relations between Germany and the European Commission – the extent to which the federal government can subsidise the east.

Volkswagen and the German government yesterday insisted that the deal was temporary and did not affect the company's legal claims to the money. Volkswagen threatened to reclaim the frozen subsidy before the end of the year.

The Bonn government was due to give VW about DM120m in tax credits as part of an aid package already cleared by the Commission. It is part of this package that Bonn has offered to freeze.

Volkswagen said it would go ahead with two projects in eastern Germany – the extension of existing car plants in Mosel and Zwickau. It had threatened to pull its investments out of Saxony if it failed to get the full aid package.

Mr Günter Rexrodt, the German economics minister, said the agreement "gives us time to arrive at a rational solution".

However, Mr Van Miert stressed that the Commission would press ahead with a case in the European Court of Justice against the legality of the payment.

"The treaty article under which the money was paid is not applicable. This is a route which we cannot go down," he said.

Germany claims that state support for eastern Germany is exempt from EU competition rules.

Philippine Stock Exchange to become self-regulating

By Edward Luce in Manila

The Philippine Stock Exchange is to be turned into a self-regulating body along the lines of the New York Stock Exchange, government officials said yesterday.

The move, which follows a series of turf battles between the PSE and Manila's Securities and Exchange Commission (SEC), will happen this year.

Under the arrangement, the stock exchange will be free to devise its own rules and discipline members for petty misdemeanours. But the SEC will retain powerful judicial functions, including the right to prosecute members for insider trading.

As with its counterpart in the US, the Philippine SEC will retain the power to intervene in the PSE's affairs in extreme circumstances.

"This is basically a good and much-awaited move which will benefit the stock exchange as a whole," said Mr Noel Reyes, the chief researcher at Anscor Securities. "The PSE has developed rapidly over the past few years, so this is a logical step to take."

The PSE, which has seen market capitalisation multiply to about $70bn from a low base four years ago, has regularly clashed with the SEC, most recently over the listing of a local real estate company.

The company, Puerto Azul Land, was this year debarred by the PSE from listing because it was in legal dispute with the family of the late President Ferdinand Marcos over ownership of part of its portfolio. The SEC promptly overruled the ban only to see it reimposed by the PSE. The matter is now with the courts.

"Once the stock market becomes self-regulatory, the SEC will lose the right to intervene," a broker said yesterday.

Another problem is the Asian Development Bank's decision to delay disbursement of a $150m loan to modernise Manila's capital markets owing to the PSE's failure to weaken brokers' hold over its 15-member board of directors.

The influence of brokers, thought to give rise to a conflict of interest between the PSE board and members, shows no sign of being diluted.

Delays on the ADB loan and other changes have led to the postponement of eagerly awaited moves, including the introduction of a central depository system and electronic listing of government and commercial bond prices.

The PSE has also delayed the introduction of software designed to spot insider trading by highlighting irregular share price movements.

Iraq crisis

Continued from Page 1

while Mr Primakov, speaking in Bonn, accused the US of endangering world peace by sidestepping the UN.

France also made clear that it would not join the US and Britain in enforcing an enlarged no-fly zone.

Turkey, a key western ally in the region, said it would enforce a "security cordon" a few kilometres inside the Iraqi border.

Olivetti reassurance

Continued from Page 1

when trading opened yesterday, and were briefly suspended after breaching limits on price increases. But the stock fell back later on concerns about the first-half results, and closed at L749.4, up 3 per cent.

Mr Renzo Francesconi, Olivetti's director-general in charge of co-ordinating the holding company, resigned yesterday because he disagreed with the results approved on Tuesday. Mr Francesconi, who joined Olivetti six weeks ago, said he had not fallen out with Mr Caio. But he added: "You can discuss strategy, but on the numbers and cash there really can't be any room for discussion."

Mr Caio said that the interim results had been prepared in the interests of transparency and according to strict accounting principles.

British companies warn PM on staying out of Emu

By Robert Peston, Gillian Tett and Robert Chote in London

Mr John Major, prime minister, is being warned by some of the UK's largest companies against caving in to party pressure to rule out sterling's participation in a European single currency.

In the first concerted response by pro-European companies to increasing anti-European feeling in the Conservative party, the chairmen and chief executives of 15 companies with combined sales of £150bn ($234bn) say that a decision now to stay outside monetary union would be "deeply damaging".

The companies are led by the oil company, British Petroleum, and Unilever, the consumer products group. They are concerned at the growing party pressure on the prime minister to campaign in the general election on a platform of ruling out sterling's participation in monetary union.

They say, in a letter published in today's Financial Times, that such a move would leave British firms "at a competitive disadvantage for years to come" and would be interpreted by investors in the UK as "the first act in a process of disengagement from one of the largest markets in the world".

Mr Tony Greener, chairman of Guinness, the drinks company, and a signatory, said there was "real concern that a bandwagon will arise which will mean that we take decisions on excluding ourselves from Emu which we do not believe is in the interests of the country".

Another signatory, Mr Martin Broughton, chief executive of BAT Industries, said "nothing in our history suggests that staying out of Europe and going in when all is decided is a terribly successful way of proceeding".

Mr Kenneth Clarke, UK chancellor, and Mr Michael Heseltine, deputy prime minister, will be delighted at the companies' stand. They have been fighting an increasingly difficult battle to keep open the UK's options.

The Treasury was sent a copy of the letter yesterday and Mr Clarke is expected today to give his full support to it.

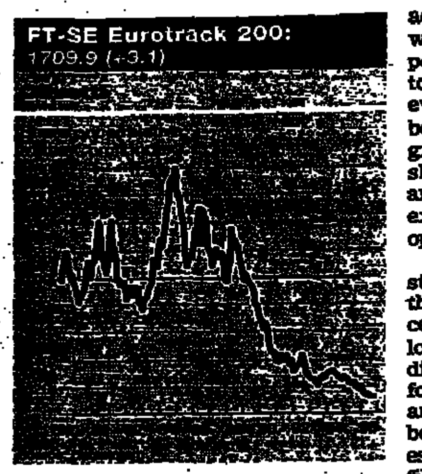
The idea for the letter arose from talks at the Confederation of British Industry, the lobby group for big British companies.

However, only about half of the businessmen approached agreed to sign the letter. Several City of London institutions, including large clearing banks, refused.

Letter, Page 10

THE LEX COLUMN

Overhauling Olivetti



Yesterday's see-sawing in Olivetti's share price was telling: investors were pleased that Mr Carlo De Benedetti, the Italian computer group's chairman who has presided over a massive destruction of shareholder value, has resigned; but they realise that Mr Francesco Caio, the chief executive, will not have an easy job turning it around.

For investors, the top priority must be to hear Mr Caio's plans for stemming losses at the group's personal computer division. The fact that L200bn ($132.2m) in provisions have been made in connection with the possible sale of the business is encouraging. Shareholders would be happy if somebody lifted that albatross from their necks, even at a price. But, given the cut-throat competition in the personal computer industry, there can be no guarantee that Olivetti will be able to find a buyer. If it fails to, investors will have little faith that it can be rescued and Mr Caio will be under pressure to liquidate it.

Provided the PC boil is lanced, Olivetti could become an attractive investment. Its computer services and office equipment divisions are not earning good margins, but they are at least profitable. The real value is in the group's 41 per cent stake in Omnitel, the fast-growing mobile phone group. Under most calculations, Olivetti is trading at a significant discount to its break-up value. Mr Caio needs to come up with a plan for realising that value. If he decides that breaking Olivetti up is not the right strategy, he will need to explain why. Otherwise, somebody else may be tempted to do the job instead.

Cadbury Schweppes

Cadbury Schweppes yesterday provided some evidence that last year's $2.5bn foray into US soft drinks will drive profits growth, and its shares reacted enthusiastically. Nonetheless, it is far too early to crack open the champagne. Dr Pepper achieved 6 per cent volume growth in the first half, but the relaunch of 7-Up in the US failed to reverse years of market share decline. And even though Dr Pepper/7-Up is beating targets, Cadbury will achieve less than a 10 per cent pre-tax return on its investment this year. That offers little cause for celebration.

Justification for the deal will come if Cadbury can revitalise 7-Up and successfully launch Dr Pepper into international markets. But that will take several years to prove. In the meantime, management will struggle to dispel lingering fears that Coca-Cola and PepsiCo will make Dr Pepper suffer for not owning its own bottling network.

At least, Cadbury's full year results should dispel another fear – the prospect of endless earnings diluting share issues. The group's confectionery division is reaching the peak of an aggressive investment programme in emerging markets, but even so the company should generate free cash flow, after dividends, of £130m ($83.3m) this year. And that figure will rise rapidly thereafter. This should provide enough capital for acquisitions without calling on shareholders, helping to underpin the shares.

Booker/N&P

The joining together of Booker and Nurdin & Peacock is no marriage made in heaven. The food wholesale industry in which they operate is hardly an ideal breadwinner, with its record of steady long-term decline. The companies' cash and carry outlets sell to independent retailers and the catering industry. But the giant supermarket groups have gone a long way towards killing the small retailer and are now poaching catering customers. Moreover, barriers to entry are low and margins at even the comparatively efficient Booker are below 2 per cent.

Nonetheless, Booker's acquisition of N&P makes sense, given the need to rationalise and cut costs in the face of those pressures – and it should arrest the rapid decline in Booker's shares. Assuming £20m of savings in the second full year after acquisition, together with reduced working capital and property disposals, Booker shareholders stand to reap an impressive return. And even though growth in the UK will be limited once N&P is fully integrated, the combined business should be highly cash-generative and will have a stronger base for expanding its cash and carry operations overseas.

The downside is Booker's stretched balance sheet following the deal. Given its shares' 8 per cent dividend yield, Booker must be loath to issue new shares and predicts "comfortable" interest cover of four times by the end of 1997. But any failure to achieve integration benefits on time, or a rise in interest rates, could leave shareholders filing for divorce.

BBA

Following its flirtation with Lucas earlier this summer, BBA owed its shareholders some reassurance. Yesterday they got a double dose. Not only did the excellent first-half results demonstrate a vintage performance in terms of cost control, margin improvement and cash generation. BBA also showed that while its business mix – spanning brake pads, aircraft refuelling and textiles for diapers – is rather eclectic, there is real growth within it. In dull markets, underlying sales rose 6 per cent, only marginally less than at a high-class rival like TI Group. Mr Bob Quarta, BBA's chief executive, reinforced the message by speaking reassuringly of internal expansion and bolt-on acquisitions to plug geographical gaps or bring in new technology. With an ungeared balance sheet, the group can easily finance £300m worth of purchases.

Despite yesterday's soothing words, a much larger acquisition remains a distinct possibility. Mr Quarta is an ambitious man and while his £2.4bn tilt at Lucas failed, he secured the implicit backing of his institutional investors for the right big deal. A takeover of T&N looks unlikely, because the combined brakes business would run into anti-trust problems. But Mr Quarta's focus on "specialist engineering" leaves plenty of other avenues open. The risk of a big acquisition will continue to weigh on the rating. But at just over 14 times prospective 1997 earnings, the shares are trading at a wide discount to Siebe and TI. They look attractive.

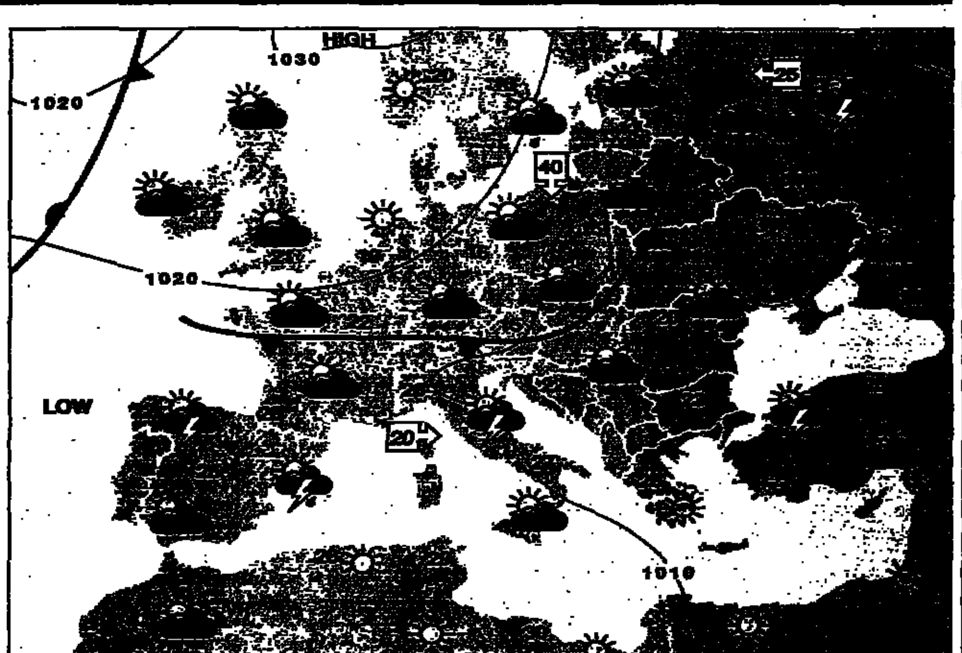
FT WEATHER GUIDE

Europe today

High pressure will bring widespread sunshine to Norway and Sweden, although south-eastern Sweden will have isolated showers. The Benelux, France and Greece will also be sunny. Germany will be mainly dry, although there will be some showers in the south. There will be thundery showers in the north-west and east coast of Spain and in central Italy. Southern Italy will remain dry, and showers are expected in the Alps and the Balkans.

Five-day forecast

High pressure will gradually move from western Scandinavia towards the British Isles, bringing generally fair conditions to western Europe. Heavy rain will fall in eastern Europe during the weekend, especially in the Balkans and Ukraine.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 27	Caracas	fair 33	Faro	fair 24	Madrid	fair 25	Rangoon	shower 31
	Celsius	Belfast	fair 21	Cardiff	fair 21	Frankfurt	shower 19	Majorca	fair 26	Reykjavik	rain 13
Abu Dhabi	sun 41	Belgrade	shower 21	Casablanca	fair 25	Geneva	shower 20	Malta	sun 28	Rio	rain 24
Accra	cloudy 28	Berlin	shower 16	Chicago	sun 28	Gibraltar	fair 25	Manchester	fair 20	Rome	thund 27
Algiers	fair 28	Bermuda	fair 30	Cologne	fair 19	Glasgow	fair 20	Manila	cloudy 32	S. Frsco	sun 22
Amsterdam	sun 19	Bogota	fair 20	Dakar	cloudy 30	Hamburg	sun 18	Melbourne	shower 15	Seoul	fair 28
Athens	sun 28	Bombay	cloudy 32	Dallas	fair 34	Helsinki	fair 15	Mexico City	fair 27	Singapore	cloudy 29
Atlanta	cloudy 30	Brussels	fair 19	Delhi	rain 32	Hong Kong	fair 32	Miami	fair 34	Stockholm	shower 15
B. Aires	fair 15	Budapest	shower 20	Dubai	sun 39	Honolulu	fair 32	Milan	shower 23	Strasbourg	fair 20
B.ham	fair 20	C.hagen	sun 17	Dublin	fair 20	Istanbul	thund 25	Montreal	sun 26	Sydney	fair 18
Bangkok	rain 35	Cairo	sun 36	Dubrovnik	shower 23	Jakarta	fair 31	Moscow	rain 19	Tangier	fair 24
Barcelona	thund 24	Cape Town	shower 16	Edinburgh	fair 18	Jersey	fair 21	Munich	shower 14	Tel Aviv	sun 34
						Karachi	fair 34	Nairobi	cloudy 25	Tokyo	shower 27
						Kuwait	sun 44	Naples	thund 25	Toronto	fair 27
						L. Angeles	sun 23	Nassau	shower 32	Vancouver	fair 16
						Las Palmas	cloudy 27	New York	cloudy 26	Venice	thund 22
						Lima	cloudy 19	Nice	fair 24	Vienna	shower 17
						Lisbon	fair 24	Nicosia	sun 34	Warsaw	rain 15
						London	fair 22	Oslo	sun 20	Washington	rain 24
						Luxbourg	fair 20	Paris	fair 22	Wellington	shower 14
						Lyon	fair 22	Perth	fair 22	Winnipeg	thund 29
						Madeira	fair 25	Prague	shower 13	Zurich	shower 16

مكبر من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday September 5 1996

IN BRIEF

Office suppliers in $3.5bn merger

Staples and Office Depot, two of the biggest superstore groups in the hotly contested US office supplies business, announced plans to merge in an all-share deal worth $3.5bn – the biggest US retailing merger since 1994. Page 15

Japanese steelmakers cut forecasts
Japan's leading integrated steel manufacturers warned they were unlikely to meet previous earnings forecasts, blaming the weaker than expected recovery of the Japanese economy and soft steel prices at home and abroad. Page 14

Rubbermaid issues profits warning
Rubbermaid, the US household goods manufacturer that recently emerged from a string of poor results, warned that rapidly rising raw material costs would hit profits again in the third quarter ending this month. It also said it was buying Graco Children's Products, a private US group, for $325m in cash. Page 15

Digital says orders trail forecast
Digital Equipment warned that new customer orders had been below its expectations since the end of June, casting a shadow over the US computer maker's attempts to put its troubles of the first half of the year behind it. Page 15

BBL lifts profit and names new chief
Banque Bruxelles Lambert, Belgium's third-largest bank, named 44-year-old Mr Michel Tilmant as its next chief executive as it reported a 17.9 per cent increase in first-half net profits to BFr5.07bn ($160m). Page 16

Générale des Eaux in telecom challenge
Compagnie Générale des Eaux, the French utilities, property and communications group, threw down a gauntlet to France Télécom, outlining its intention to compete head-on with the state-owned telephone operator in all the main segments of the domestic market. Page 16

Weaving machinery entangles Sulzer
Sulzer, one of the traditional pillars of the Swiss engineering industry, doubled its first-half net income to SFr43m ($35.6m). But its profit recovery continues to be hampered by rising losses in its Sulzer Rüti weaving machinery business where it is the world market leader. Page 16

UK cash and carry groups to merge
Booker yesterday consolidated its position as the UK's largest cash and carry group with a £264m ($409m) offer for Nurdin & Peacock, its main rival. Page 17

CRH to pay $329m for Tilcon
CRH, the acquisitive Dublin-based building materials group, is paying $329m to acquire Tilcon, the US roadstone business, from BTR, the UK manufacturing conglomerate. Page 18

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Chief price changes yesterday

FRANKFURT (DM)		
Rises		
Allianz	1115	+ 20
Lahmeyer	552	+ 10
MAN	372.8	+ 5.8
Veba	347	+ 8.75
Volkswagen	546.5	+ 9.5
Falls		
DLW	110	- 2.5
NEW YORK ($)		
Rises		
Miller Inds	36⅝	+ 2⅝
Office Depot	19¼	+ 4
Union Pacific	74¼	+ 1¼
Falls		
Insignia Fin	24	- 1⅝
Rubbermaid	22⅝	- 3⅝
[illegible]	34¼	- 3⅝
LONDON (Pence)		
Rises		
Nurdin & Pcock	200½	+ 55½
Wetherspoon	862½	+ 35
Falls		
First Info	50	- 14
Sherwood Int	168½	- 21
Tesco	291	- 9
Vodafone	224½	- 14½
TORONTO (C$)		
Rises		
Fulcrum Tech	17.40	+ 1.20
Scotiabanc	10.25	+ 1.35
Transat A.T.	31.00	+ 2.25
Falls		
Arbor Jones	7.85	- 0.65
Bios Range	8.05	- 0.65
Indexia	5.25	- 1.00
PARIS (FFr)		
Rises		
Carrefour	2697	+ 112

Dassault	3600	+ 85
Gal. Lafayette	1470	+ 65
Intertechnique	569	+ 29
Valfond	213.4	+ 13.4
Falls		
UFB Locabail	443	- 22
TOKYO (Yen)		
Rises		
Brother Ind	587	+ 15
Falls		
Ando Const	605	- 35
Chiba Bank	830	- 24
Mori Seiki	1750	- 60
[illegible]	681	- 27
Toyo Tat & Bkg	930	- 35
HONG KONG (HK$)		
Rises		
Min Xin Hldgs	2.40	+ 0.35
Pok Pah Yeow	2.30	+ 0.46
Termbray Ind	19.20	+ 0.85
Falls		
Fairwood Hld	0.425	- 0.115
Far E Hldgs	0.55	- 0.05
Tai Ping Crpts	2.30	- 0.20
BANGKOK (Baht)		
Rises		
[illegible]	38.00	+ 2.50
Shangri-La	26.00	+ 2.00
Thai Cold Chem	27.50	+ 2.50
Falls		
Sansiri Corp	155.00	- 17.00
Siam City	148.00	- 15.00
Thai Stanley	127.00	- 12.00

New York and Toronto prices at 12:30.

Telekom's debts put at $67bn

By Richard Lapper, Capital Markets Editor

Investors in Germany's Deutsche Telekom – which will be partly privatised later this year – will be buying into a company whose capital structure "offers many of the characteristics of a leveraged buy-out", according to research published yesterday.

The deal is expected to be one of the world's biggest international offerings.

The research by BZW, the investment arm of Barclays Bank of the UK, says Deutsche Telekom is not only the second most indebted company in the world, behind Tokyo Power of Japan, but is the 24th largest debtor overall. Deutsche Telekom – with debts of $67bn – is perched between Argentina ($77bn) and Turkey ($66bn).

The report also points out, however, that Deutsche Telekom has a formidable ability to generate cash. In 1996 gross cash flow of DM25bn is expected, leaving DM15.9bn available for debt repayment after interest charges and tax.

"The most striking features of the Deutsche Telekom balance sheet are the absolute level of debt and the very high gearing levels. By contrast . . . Deutsche has the strongest cash flow of any [telecommunications company] worldwide," says the report, which is independent in that BZW is not involved in the share offer.

Goldman Sachs, the US investment bank, and Germany's Dresdner Bank and Deutsche Bank are co-ordinating the offering, which involves several dozen other banks and securities houses.

The report says Deutsche Telekom's rapid expansion into eastern Germany since 1989 is at least partly responsible for the high level of debt. It has invested DM50bn ($33.7bn) in a new digital telephone network for eastern Germany, increasing the number of lines per inhabitant from 10 in 1990 to 40. Three quarters of the overall German network will be digital by the end of this year, which BZW calls "a considerable logistical and engineering achievement".

Deutsche Telekom has permission to sell up to 1bn new shares, equivalent to 50 per cent of its existing capital, in its initial public offering (IPO) due in October and November. It can sell more shares as long as the government's stake does not fall below 50 per cent of the enlarged capital before 2000.

The complexities of valuing its business have so far ruled out an exact calculation of how much money will be raised. BZW estimates that the IPO – in which 500m shares are likely to be issued – could raise up to DM11bn and a minimum of DM5bn, lower than the range of DM10bn-DM15bn most frequently cited by analysts.

Trading in the shares is due to begin on November 18. A prospectus is expected after the release of half-yearly figures later this month. It is expected that about 40 per cent of the offer will be targeted at retail investors.

DirecTV plans Spanish service

By Raymond Snoddy in London

DirecTV, the US digital satellite television broadcaster, is today expected to announce plans to launch a service in Spain with local and Latin American partners.

It is believed DirecTV, part of the Hughes Electronics Corporation, has linked up with Sogecable, owned by Grupo Prisa, the Spanish media company, and the Cisneros group of Venezuela, which is one of the world's largest producers and distributors of Spanish-language programming.

The deal offers the opportunity to use digital satellites to serve the Spanish-speaking world on both sides of the Atlantic.

DirecTV's 175-channel service has attracted 1.7m subscribers in the US less than two years after launch. Earlier this year, DirecTV International launched Galaxy Latin America in a consortium which includes Cisneros. The Spanish project is DirecTV's first move into Europe.

The deal may also mean a digital satellite television battle in Spain.

Last month, Telefonica, Spain's partly privatised telecommunications group, announced it had agreed in principle with Germany's Kirch group to set up a digital joint venture in Spain involving investments estimated at Pta150bn ($1.2bn). Telefonica said at the time that other shareholders might join the planned venture. One possible investor is British Sky Broadcasting, the UK satellite company in which Mr Rupert Murdoch's News Corporation owns a 40 per cent stake.

DirecTV's Spanish plans include developing a wide range of Spanish-language movie, entertainment, news, sports and educational programming.

Grupo Prisa, which operates terrestrial and satellite channels in Spain, will be able to help DirecTV's penetration of the Spanish market. In turn, DirecTV could use its satellites to distribute Grupo Prisa programming in Latin America.

Cisneros recently caused controversy in cola bottling and distribution when it decided to end its 30-year relationship with PepsiCo by switching to Coca-Cola.

Mexican TV alliance, Page 15

Gazprom plans global issue

By John Thornhill in Moscow

Gazprom, the world's biggest gas producer, is pressing ahead with plans to launch itself on international capital markets later this year with market sources suggesting it could place up to 1.5 per cent of its shares at a target price of about $400m.

If successful, the deal would be the biggest international share offering from a Russian company, giving Gazprom an implied value close to $27bn, more than the current worth of the rest of the country's stock market.

Mr Alexander Semenyaka, the board director in charge of the offering, said yesterday that Gazprom would release details of a financial audit, conducted by Price Waterhouse, the auditing firm, by the end of September and then make a series of international investor presentations.

He confirmed that the Morgan Stanley and Dresdner Kleinwort Benson investment banks would be joint global co-ordinators of the offer, which would be sold in the form of Global and American Depositary Receipts. Morgan Stanley was likely to act as the book runner for the deal.

The company eventually aims to sell 9 per cent of its shares to international investors, enabling it to finance large gas field development projects in the Yamal peninsula, in northern Russia. A previous attempt to sell packets of shares to western gas companies foundered because of a lack of interest.

Gazprom is Russia's richest company with strong government connections and has tightly controlled trading in its shares since privatisation. The company reserves the right to veto any share purchases, making it one of the country's most illiquid stocks.

But since April, Gazprom has been slowly opening up its shareholder base, auctioning off a packet of 1 per cent of its shares on the domestic market to establish a benchmark price for its international offering.

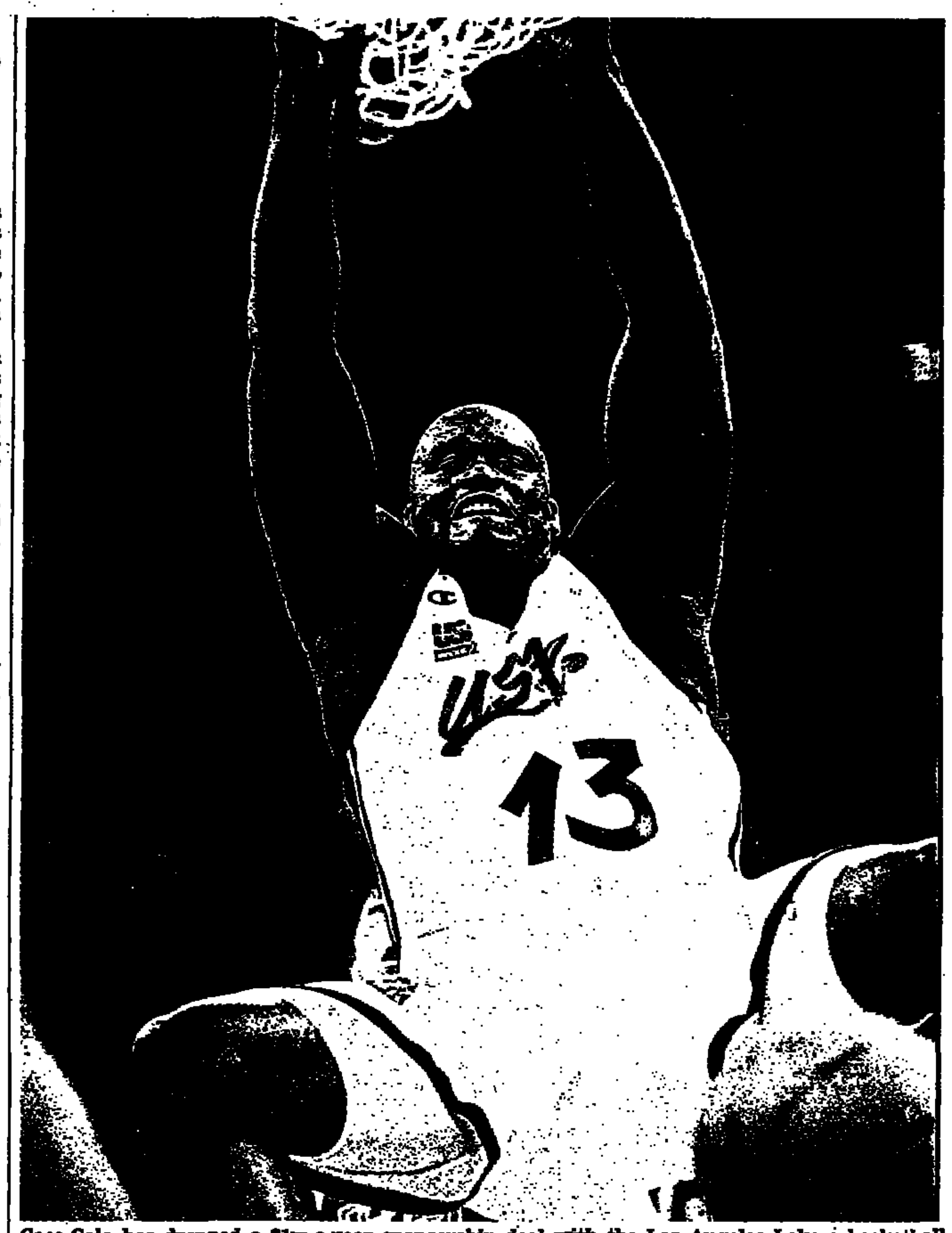
As a result, the company's share price has risen almost 10 times to about 50 cents a share and market analysts suggest it could rise to almost $1 by the end of the year, allowing the international offering to be priced at about $1.25.

Mr Dan Rapoport, head of sales at CentreInvest Group, a Moscow-based securities house, said the domestic share price was always likely to trade at a discount to the ADR proxy shares, given the comparative lack of liquidity, higher registration risk, and greater tax liabilities.

Gazprom seems certain to attract much interest among international institutional investors wanting to gain exposure to Russia.

But the company remains at the centre of controversy in Russia thanks to special legal and tax privileges it has received from the government. Mr Victor Chernomyrdin, Russia's prime minister, is the former head of the company.

Economic aides to Mr Alexander Lebed, the politically ambitious former general who heads Russia's security council, have even been calling for the company to be renationalised.



Coca-Cola has dropped a $1m-a-year sponsorship deal with the Los Angeles Lakers basketball team because its leading man, Shaquille O'Neal (above), promotes Pepsi. The 7ft 1in player is also a film star, rap artist, web site host, and walking billboard. Details, Page 15 Picture: Allsport

Ansett holds back TNT

By Nikki Tait in Sydney

A sharp downturn in earnings at Ansett Airlines and a loss in its general freight division caused TNT, the Australian transportation group, to post a profit of just A$25.8m (US$20.4m) after tax in the year to June 30.

The figure, struck before abnormals, compared with A$60.1m a year earlier. After abnormals, TNT's result slid to A$9.84m, compared with A$40m last time. Revenues rose from A$6.49bn to A$7.33bn.

The figures reverse the small recovery seen in the group's results in 1994/95 following heavy losses and big restructuring charges in the early 1990s.

TNT's problems came in its general freight division, which sunk to a A$40m loss, compared with a profit of A$18.8m last time. TNT has already announced plans to pull out of this business.

With final agreement earlier this week on the sale of its 50 per cent stake in Ansett to Air New Zealand and the general freight business being wound down, TNT shares rose one cent to A$1.45 yesterday.

In other divisions, TNT said its time-sensitive freight operations posted pre-interest earnings of A$101.9m, up from A$92.3m, with revenues rising from A$1.68bn to A$1.8bn. The Australian interests were still affected by rationalisation costs and the French operation went back into the red. But the German and UK units performed strongly and the Italian business improved.

GD Express Worldwide – a joint venture between TNT (50 per cent) and various national postal authorities – also made a small pre-tax profit in local currency terms for the first time, although it still contributed a reduced A$6.2m loss to TNT's after-tax result.

On the logistics side pre-interest earnings advanced strongly from A$47.9m to A$85.3m, with revenues rising from A$998.5m to A$1.47bn.

TNT's stake in Ansett (including its regional airline subsidiary) earned about A$1.1m before abnormals compared with A$27m previously, although its post-abnormals contribution appeared to increase to about A$19m.

There is again no dividend.

UK drinks group rises 12%

By Roderick Oram, Consumer Industries Editor

Cadbury Schweppes, the UK food and soft drinks group buoyed by acquisitions, yesterday posted a 12 per cent rise in interim pre-tax profits to £231m. This was despite lower profits in the UK and intense competitive pressure in US soft drinks.

The "robust performance", helped by emerging markets such as Poland, should produce full-year profits growth for the group, Mr David Wellings, chief executive, said.

Confectionery tonnage was up 14 per cent, of which acquisitions contributed 11 per cent. Soft drink volumes were up 12 per cent of which acquisitions contributed 7 per cent.

The Americas turned in the best regional performance with trading profits up 41 per cent to £137m. Acquisitions of Dr Pepper/Seven Up Companies soft drinks in the US and two confectionery companies in Canada contributed two-thirds of the rise. "Dr Pepper is delivering the goods," Mr Wellings said of the £1bn acquisition made last year.

Overall volumes of Dr Pepper, the leading non-cola brand, were up 6 per cent and continued to grow faster than the overall US market. The relaunch of 7-Up lifted its volume by less than 2 per cent with the campaign blunted by a fierce counter-attack from Coca-Cola's Sprite which grew by more than 20 per cent.

"Dr Pepper is doing well but Sprite is tearing up the market," a US drinks analyst said.

UK trading profits dipped by £5m to £91m as competition eroded soft drink margins. Coca-Cola & Schweppes Beverages, the bottling joint venture Cadbury is selling to Coca-Cola Enterprises, raised volumes 7 per cent.

Earnings per share were up 3 per cent to 12.1p but excluding one-off charges showed underlying growth of 15 per cent. An interim dividend of 5.2p, up 6 per cent, was declared.

Lex, Page 12

High share take-up at National Mutual

By Nikki Tait in Sydney

National Mutual, Australia's second-largest life insurer, said yesterday that over half a million policyholders had opted to become shareholders in the group as it completes its "demutualisation" and moves to a stockmarket listing next month.

Announcing the results of the policyholder offer, Mr Geoff Tomlinson, managing director of National Mutual, which is controlled by France Axa's group, said that over 540,000 eligible policyholders had said they wanted to take up shares, and that their entitlement covers around 384m shares – about 55 per cent of the total available.

Shares not taken up by policyholders will be sold on their behalf to institutional and private investors through an offer for sale. This is due to open on Monday and will comprise a two-week public offer and then a three-day institutional offer.

Given the relatively high take-up by policyholders, there will be about 448m shares in the offer for sale. Of these, at least 280m will be reserved for institutions, and a further 80m will go first to preferential applicants, such as agents. The retail application price will be A$1.50.

● The Australian Mutual Provident Society, Australia's biggest life company, indicated yesterday that it expects to complete a review of the group fairly shortly.

The group is considering the demutualisation option amongst other possibilities. Mr Ray Greenshields, chief general manager of AMP Financial Services, said that Australian Mutual Provident Society expected to come to a conclusion on the review "in the next three months".

Japanese steelmakers cut forecasts

By Michiyo Nakamoto in Tokyo

Japan's leading integrated steel manufacturers warned yesterday they were unlikely to meet previous earnings forecasts. They blamed the weaker than expected recovery of the Japanese economy and soft steel prices at home and abroad.

Four of the five steelmakers revised their earnings forecasts downwards for the first half, while NKK cut its forecast for the full year. All the companies except Kawasaki Steel said they would skip payment of an interim dividend.

Nippon Steel, the world's largest steelmaker, expects to report lower sales and recurring profits in the first half of the year, but aims to meet its earnings forecast for the full year. NKK expects recurring profits to meet its target in the first half, but fall for the full year on sales unchanged from its initial forecast.

The revisions come as Japanese steelmakers are intensifying production cutbacks to adjust inventory levels to market conditions. Steel inventories have been piling up since the earthquake in the city of Kobe last year, when steelmakers lifted production to meet the strong orders expected for the reconstruction of the devastated region.

In the event, demand for steel was not as strong as expected and cutbacks in production had to be increased in order to adjust inventories, said NKK.

At the same time, Japanese steelmakers have been hit by a fall in prices in their main overseas markets, in south-east Asia and China, and higher raw material costs.

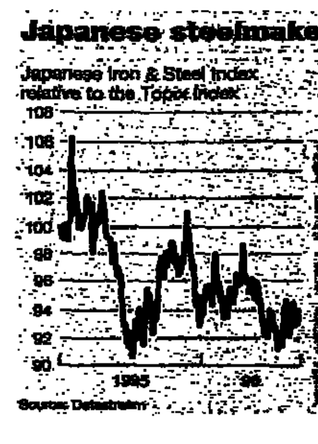
As a group, the lower prices, of Y2,000 a tonne, amounts to a Y65bn ($595.4m) drag on earnings on an annualised basis, while higher raw materials means a further Y140bn negative pull on earnings, notes Mr Stephen Wolfe, industry analyst at UBS in Tokyo.

Although the steel companies warned of continuing difficulties in the second half, they expect to put in a better performance as a result of an improved supply-demand environment stemming from production cuts in the first half, and stronger demand in their engineering divisions which tend to see greater orders in the latter term.

Demand from the housing and vehicle manufacturing markets in Japan is also expected to be stronger, judging from the double-digit growth in housing starts and firm production plans of the carmakers, Mr Wolfe said.

Japan's steelmakers have also been slashing costs at an impressive rate. Mr Wolfe calculates that given the Y205bn negative impact on earnings from lower prices and higher input costs, and the Y35bn in earnings the industry is forecasting, the total amount of cost-cutting comes to Y240bn.

"If they come anywhere near close to these numbers, the Japanese steel industry will be the only major steel industry this year that will see higher earnings in the face of higher input costs and lower prices. That's a phenomenal feat," he says.



Abnormals lift Packer group

By Nikki Tait

Publishing & Broadcasting, Mr Kerry Packer's main listed company, yesterday announced a 50.3 per cent increase in profit to A$225.4m (US$178m) after tax in the year to end-June. The result was helped by an abnormal gain of A$52.7m, but group profits before tax and abnormals rose anyway, from A$219.7m a year ago to A$260.8m.

Sales rose 20 per cent to A$1.11bn, while earnings per share increased 31.2 per cent to 44 cent.

But the company said that comparisons had been muddied by the merger of its magazine publishing interests with the Nine Network television business, which took place in the middle of 1994-95. Figures for the 1994/5 financial year included only an eight-month contribution from the publishing assets, compared with 12 months in the latest period.

When this was taken into account, PBL said, earnings at group level before interest and tax rose by around 5.6 per cent last year. The television unit's contribution grew almost 15 per cent, but the magazines division slipped 6.4 per cent. The magazines result reflected flat circulation revenues and a decline in advertising revenues in the core Australian market. Higher paper prices also pushed up costs.

Mr James Packer, son of Mr Kerry Packer and PBL's managing director, said both the television and magazines divisions were expected to post an increase in pre-interest earnings this year. But he warned: "The strength of the advertising market is difficult to assess at this point, making it impossible to predict the increase."

PBL shares rose 15 cents to A$6.05.

Kerry Packer: PBL says comparisons muddied

Wharf upbeat as underlying result improves

By John Ridding in Hong Kong

Wharf (Holdings), the Hong Kong property and communications conglomerate, yesterday announced net profits of HK$1.3bn (US$168.1m) for the first half of the year, a fall of 57 per cent, as a decline in exceptional gains offset an improved operating performance.

Mr Gonzaga Li, chairman, reported steady growth in the group's traditional businesses, but said investments and start-up costs in new activities involved "some earnings sacrifice in the short term". Mr Li struck an optimistic note about prospects in new activities, which range from cable television to telecommunications.

Excluding exceptional gains, which added almost $2bn to first-half results last year from disposals in the property and hotels activities, profits rose 37 per cent to HK$1.33bn. Earnings per share fell from HK$1.38 to HK$0.59, but climbed from HK$0.49 to HK$0.55 before exceptionals. Turnover rose from HK$3.31bn to HK$3.67bn. The interim dividend is being raised from HK$0.24 a share to HK$0.26.

The first-half results were largely in line with forecasts, and analysts predicted full-year net profits of HK$3.2bn–HK$3.65bn. Mr Vincent Luk, property analyst at James Capel, said that while the 1996 figure was unlikely to show much increase over last year's HK$3.6bn, the quality of earnings would be better.

Mr Li listed four main projects which are spearheading Wharf's strategy of building new assets and businesses: the Gateway II real estate project in Kowloon; Wharf Cable, the television operation; New T&T, the telecoms arm; and Times Square property projects in China. "All four impact on short-term earnings, but offer meaningful returns in the long run," he said.

Wharf Cable, which has been a burden on the group's results over the past few years, incurred a loss of HK$300m in the first half. However, Mr Stephen Ng, managing director, said the division had stabilised costs and should break even at the operating level in 1998. The cable-TV business has more than 260,000 subscribers, and is set to exceed 300,000 by the year-end.

First-half results were also hit by start-up costs at New T&T. However, Mr Ng said that penetration of the business market was ahead of target, while the operator's call-back service for international calls had pushed revenues above forecasts.

The Gateway II development on the Kowloon peninsula has involved the demolition of properties and the loss of about HK$200m in annual rent. However, Mr Li said current estimates of projected revenues from the retail and residential site, due for completion by the end of 1998, stand at HK$1.2bn a year. In China, the group has office and retail projects under construction in Beijing, Shanghai and Wuhan.

NEWS DIGEST

Toshiba forced to cut chip spending

Toshiba, one of Japan's leading semiconductor makers, is cutting capital investment in its main business in a move that underlines the difficult conditions the industry faces.

Toshiba said it would invest Y170bn ($1.6bn) in semiconductor facilities, rather than the Y180bn initially planned. This follows moves by other chipmakers to postpone expansion of semiconductor facilities in the wake of a sharp fall in prices for 16-megabit dynamic random access memory chips.

The cutback will affect two of Toshiba's facilities in Japan where it manufactures memory chips. It said the value of its semiconductor production was also likely to be about 10 per cent lower than the initial forecast of Y1,055bn, while higher raw materials would mean a further Y70bn negative pull on earnings.

Memory prices have fallen to as low as a quarter of their previous levels in the downturn this year. Against this background, analysts expect the profits of large Japanese electronics companies, which have derived a substantial proportion of their profits from semiconductors in recent years, to be cut heavily in the current year to March.

The shares of Hitachi, Toshiba and Mitsubishi Electric would remain under pressure in the near term on concern over the impact of lower microchip prices on year-to-March results, analysts said. Japan's three leading electronics company shares have already underperformed the market this year, and the shares fell further yesterday after the Nihon Keizai newspaper reported downward revisions of current year profit forecasts.

"I think [the three companies'] share prices will probably go down further," said Mr Peter Rawle of Schroder Securities. "I expect them to be lower at the end of the year than at present. "Most analysts have been on the bearish side, so I don't think the downward [earnings] revision would surprise much at all," Mr Rawle said. Hitachi closed down Y7 at Y987; Toshiba fell Y12 to Y697; and Mitsubishi Electric dropped Y14 to Y684. The Nihon Keizai reported that Hitachi's year-to-March parent pre-tax profit would fall to Y80bn, short of an earlier Y110bn forecast, and compared with Y128.6bn in the year to March 1996. It also said Toshiba's year-to-March parent pre-tax profit would be little changed from the previous year's Y121.4bn, in spite of an earlier forecast that it would rise to Y130bn. Mitsubishi Electric's parent pre-tax profit for the period would fall to about Y70bn, the newspaper said. The company had forecast Y90bn, and the previous year's result was Y100.7bn.

Michiyo Nakamoto and agencies, Tokyo

Asia growth for Siemens

Siemens, the German electronics group sees year to September orders from the Asia-Pacific region totalling $10bn, up 30 per cent from a year earlier, Mr Guenter Wilhelm, executive for Asia-Pacific, said. He said in Penang the $10bn included $8.5bn from consolidated companies and $1.5bn from activities that are still to be consolidated.

"Siemens is growing faster in Asia-Pacific than anywhere else in the world. Our plans call for a business volume of some $17bn by the 2000," he said. He said the Asia-Pacific region would account for nearly half the world's electrical market within the next 10 years.

AFX Asia, Kuala Lumpur

Woodside Petroleum ahead

Woodside Petroleum, the Australian oil and gas company and main operator of the large North West Shelf project offshore from Western Australia, posted strong profits growth in the half-year to end-June. The after-tax figure rose to A$84.4m (US$66.7m) from A$43.3m a year ago. Sales revenues in the half-year were 27.1 per cent higher at A$368.7m. Woodside attributed the growth to "increased volumes for all products and a full six months of crude oil and LPG sales".

The results were struck after a A$4.9m abnormal item, reflecting the relocation of the group's head office from Melbourne to Perth, and interest charges of A$42.2m, down A$15.7m on the same period a year ago. The interim dividend goes up 50 per cent to 6 cents a share.

The company, which has had a long and difficult development, said sales from the domestic gas side were 5.1 per cent higher at A$90.7m, while LNG revenues rose 3.7 per cent to A$140.4m. Condensate revenue was up 19 per cent, reflecting higher volumes, at A$79m. Revenue from the Cossack/Wanaea oil fields reached A$48.6m – having come on stream last year – in spite of problems on the floating "Cossack Pioneer" production storage and offloading facility.

Nikki Tait, Sydney

Staples and Office Depot plan $3.5bn merger

By Richard Tomkins in New York

Staples and Office Depot, two of the biggest superstore groups in the hotly contested US office supplies business, yesterday announced plans to merge in an all-share deal worth $3.5bn.

It is the biggest merger in the US retailing industry since Federated Department Stores, owner of Bloomingdale's, bought the R.H. Macy department store group for $4.1bn in 1994.

The merger is being structured as a takeover of Office Depot by Staples. Holders of Office Depot shares will receive 1.14 Staples shares for each share they own.

By lunchtime yesterday Office Depot's shares had shot up $4 to $19¾, a rise of 25 per cent. Staples' shares had slipped $1⅛ to $18, a fall of 7 per cent, valuing Office Depot at $3.5bn.

Staples and Office Depot were founded in the mid-1980s amid a trend in US retailing towards so-called "category killers" – superstores such as Toys "R" Us specialising in a single category of merchandise.

They take credit for having revolutionised the office products business by supplying small business customers with all they needed to run their offices at much lower prices than before.

Staples has 517 superstores across the US and is a joint venture partner in similar enterprises in Britain – with Staples UK – and Germany – with Maxi-Papier-Markt. Office Depot has 539 stores in the US, 32 in Canada, and joint venture or licensed operations in Mexico, Israel, Poland, Thailand, France, Colombia and Japan.

Staples had net profits of $73.7m on sales of $3.1bn in the year to January, while Office Depot had net profits of $132.4m on sales of $5.3bn. But Office Depot yesterday warned that third-quarter earnings were likely to fall short of expectations.

The new company will be called Staples The Office Depot. Its chairman will be Mr David Fuente, chairman and chief executive officer of Office Depot, and its chief executive will be Mr Thomas Stemberg, chairman and chief executive of Staples.

Mr Stemberg said the combined company, with annual revenues of more than $10bn, would be able to offer "even greater value" to its customers through increased operating efficiency and purchasing scale.

Shares in OfficeMax, the other big US office products superstore group, slipped $½ to $13¾ as investors reacted to the prospect of increasing competition.

Profits warning at Rubbermaid

By Richard Tomkins in New York

Rubbermaid, the US household goods manufacturer that recently emerged from a string of poor results, yesterday warned that rapidly rising raw material costs would hit profits again in the third quarter ending this month.

It also announced it was buying Graco Children's Products, a private US maker of infant products, for $325m in cash. But the shares sank $3⅝ to $22⅞ in early trading – a fall of 14 per cent – amid gloom over the profits outlook.

Rubbermaid has for many years been one of the most admired US companies, but last year it stumbled badly when net profits sank from $228m to $60m after a $158m pre-tax restructuring charge.

The company had suffered steep rises in the cost of the resin it uses for making plastic households goods, and found it could not pass them on in higher prices. It slashed its workforce by 1,200 jobs, or 9 per cent, in an effort to cut costs.

In the second quarter of this year, net profits turned upwards again. But yesterday, Rubbermaid said third-quarter profits would be much the same as last year's depressed $50.3m, or 32 cents a share, because of further increases in resin costs.

The company said resin costs had peaked in the middle of last year and had begun to come down, but since last April they had risen three times, taking them from 32 cents a pound to 47 cents and another increase of 5 cents a pound was expected next month.

Mr Wolfgang Schmitt, chairman and chief executive, said: "Despite significant gains in lowering our cost structure, higher costs for resin and lower-than-expected unit volume will prevent us from continuing to attain the growth in profitability we had been expecting this year."

Graco Children's Products is a leading maker of infant strollers, play pens, swings, high chairs and similar products. Its net sales this year are expected to be $270m.

Rubbermaid said the acquisition would be "a natural complement" to its Little Tikes business, which makes traditional toys and juvenile products aimed at a similar age range.

Digital says orders below forecast

By Richard Waters in New York

Digital Equipment warned that new customer orders had been below its expectations since the end of June, casting a shadow over the US computer maker's attempts to put its troubles of the first half of the year behind it.

The news came at an analysts' meeting in New York late on Tuesday, as Digital sought to allay Wall Street's concerns about the recent problems in its personal computer business and its big European operations. The company's shares fell $1⅝ late on Tuesday and were down another $⅝ by yesterday lunchtime, at $36⅝.

Speaking after the meeting, Mr Vincent Mullarkey, chief financial officer, said that Digital would have struggled anyway to record a profit in the seasonally weak summer quarter, the first of its fiscal year. He added that it had also experienced "a somewhat slow start" to the quarter, which ends this month, although he refused to give further details.

The warning overshadowed the company's attempts to convince Wall Street that its turnround of the past two years was still on track, despite a setback in the fourth quarter, when the company reported a net loss of $433m after restructuring charges. The company intends over the next two years to lift its net profit margin to 7 per cent, from a level of 3 per cent last year, excluding restructuring charges, Mr Mullarkey said.

Hitting that target would put its profit margins in line with other computer makers, and would represent a $2bn turnround from the losses suffered in 1994, he added.

Digital's performance earlier this year was affected by an inventory build-up in personal computers just as a price war broke out in the industry.

The company said that it had now reduced its inventory levels to six week's supply from around 15, and that it had made changes allowing it to reward its sales people when PCs are sold to final customers rather than when they are shipped to distributors.

The company offered fewer assurances, though, on the performance of its European operations. These were damaged by a decision to step back from selling direct to customers in favour of using indirect sales channels, Mr Mullarkey said.

He added that such channels were less well developed in Europe than in the US.

NEWS DIGEST

Coca-Cola in rift with the Lakers

Coca-Cola has canned a $1m-a-year sponsorship deal with the Los Angeles Lakers basketball troupe because its leading man, Mr Shaquille O'Neal, promotes Pepsi. The move follows the Lakers' signing this summer of a $120m seven-year contract with the 24-year-old 7ft 1in player whose day jobs include those of film star, rap artist, web site host, and walking billboard.

Mr O'Neal's sponsorship activities alone are estimated to be worth $20m a year, and include links with Reebok and Spalding sports groups. His starring role this summer as a genie in *Shazaam*, a Walt Disney children's film, was turned to good use as a marketing device that put his name – and that of the film studio – on tee-shirts, taco wrappers and sports shoes. His fans' war cry, "Shaq Attaq", is part of everyday language in the US.

Owing to complex promotional connections between the warring soft drinks companies, league authorities, teams and individual players, the Coke and Pepsi logos are routinely used side by side at most US sports events. However, Coca-Cola's withdrawal suggests a new approach is being deployed.

Even after this week's rift with the Lakers, Coca-Cola retains the right to use the team's logo in national promotions by virtue of its role as a backer of the National Basketball Association. The company's continuing sponsorship of LA Dodgers baseball and the Mighty Ducks ice hockey team will also ensure a high profile in southern California.

However, the ground rules may be changing as a result of the increasing involvement of entertainment companies in the sports business. Turner Broadcasting, merging with Time Warner, owns the Atlanta Braves. Disney runs the Mighty Ducks and is poised to take control of the California Angels baseball team.

Christopher Parkes, Los Angeles

Third suitor for Chateau

The US mobile home park industry was split yesterday by the biggest hostile bid the sector had yet seen. Manufactured Home Communities, based in Chicago and the largest player in the sector, made a $400m cash tender offer for Michigan-based Chateau Properties. The offer will last one month, until October 1.

It means that Chateau now has three suitors. The company announced a "merger of equals" with ROC Communities of Englewood, Colorado, in July, which valued Chateau at $300m. Sun Communities, based in Michigan, then made an unsolicited stock offer valuing the company at about $380m.

The battle has focused Wall Street attention on a sector which is usually regarded as low quality, because the accommodation on offer is very cheap. Mr David Helfand, chief executive of Manufactured Home Communities, said the sector was seriously undervalued as a result, and that there were strong opportunities for consolidation. "This business is quite different from the public's perception and therefore undervalued. It's a large segment of the US housing market – one third of the homes built in the US last year were mobile homes." Although the concept has never proved popular in most of Europe, last year 18m Americans lived in mobile homes.

John Authers, New York

Televisa, TVE in alliance talks

Televisa, the Mexican media group, and Televisión Española of Spain (TVE) have announced they are in "very advanced talks" to offer Direct To Home television to the Iberian Peninsula. The two companies are also in "advanced negotiations" with other potential partners.

Globo, Brazil's media giant, is believed to be the likely candidate as it is already Televisa's partner, along with Mr Rupert Murdoch's News Corp and TCI of the US in the forthcoming launch of the satellite-beamed DTH services in Latin America. Before the announcement, Televisa had been developing a DTH project for the Iberian peninsula with Panamsat, the US satellite company in which it owns a 40 per cent stake.

Televisa, which recorded a loss of 232m pesos ($30m) in the first half of 1996 because of its heavy debt burden, is trying to sell-off parts of its media empire to restructure and repay its $1.1bn debt. Planned divestitures include its stake in Panamsat and its 51 per cent shareholding in the Mexican paging company Skytel.

Leslie Crawford, Mexico City

MCA appoints Platt

Mr Marc Platt, former president of TriStar Pictures, has been appointed head of feature film production at Universal Studios, part of the MCA group.

The hiring counts as a success for Mr Casey Silver, Universal chairman, who had to contend with bids for Mr Platt's talents from competitors including DreamWorks, the start-up entertainment group inspired by Mr Steven Spielberg. It also marks a further step in the extensive shake-out of MCA's senior management since the company was taken over last year by Seagram, the Canada-based drinks group.

Mr Platt has a strong reputation for his ability to build and maintain relationships between studio management and star actors. Although he oversaw several hit films at TriStar, including the effects-laden *Jumanji*, its parent, Sony Pictures Entertainment, has had difficulties keeping pace with other large Hollywood groups.

His place at TriStar was filled in July by Mr Robert Cooper, former president of HBO Pictures, known for his ability to make successful films for the large and small screen on modest budgets.

Other new faces are expected at Sony, which also owns Columbia, following this summer's high-cost flop with *The Cable Guy*, for which the star, Mr Jim Carrey, was paid a record-setting $20m. *Multiplicity*, a more recent summer release, also performed feebly, further fuelling persistent rumours of looming changes at the top.

Mr Platt, a former talent agent, was appointed TriStar chief in 1992 after successes at Orion including *Dances with Wolves* and *The Silence of the Lambs*.

Christopher Parkes

Placer to sell copper interest

Placer Dome, the Canada-based international gold producer, wants to sell its 30.8 per cent interest in Gibraltar Mines, a western Canada copper producer, as part of its policy to concentrate on gold production. At recent market prices, the stake is worth about C$200m.

Gibraltar last week signed a debt agreement under which units of Barclays Bank and Dresdnerbank will lend US$240m for development of the Lomas Bayas open pit copper mine in northern Chile.

Robert Gibbens, Montreal

BBL lifts profit and names new chief

By Neil Buckley in Brussels

Banque Bruxelles Lambert, Belgium's third-largest bank, yesterday named 44-year-old Mr Michel Tilmant as its next chief executive as it reported a 17.9 per cent increase in first-half net profits to BFr5.07bn ($160m).

Mr Tilmant, described by bank insiders as a "go-getter" and "very much the American banker", spent 18 years at Morgan Guaranty of the US before joining BBL in 1992. His appointment to succeed the affable Mr Daniel Cardon de Lichtbuer, 66, as chief executive at the year-end marks a change of generation at the top of Belgium's fastest-growing bank.

Mr Cardon, presenting results which outstripped all forecasts, said that strategy was to continue to develop BBL's foreign businesses – now accounting for 40 per cent of net profits – and its corporate banking activities.

The strategy was also – for the foreseeable future – to remain one of "stand-alone", in spite of Mr Cardon's warning last year that Belgium was "overbanked" and that BBL should enter a partnership or merger with a larger bank.

The warning sparked a debate on the need for the rationalisation of Belgium's banks and the creation of a "Grande Banque Belge" capable of competing in a single-currency Europe.

But Mr Cardon admitted yesterday that the moment for the creation of such a bank might have passed. Large rivals Crédit Communal de Belgique and Générale de Banque were both pursuing alternative strategies.

He insisted, however, that BBL was best placed to cope with the twin challenges of continued overcapacity in Belgium and the transition to a single European currency in 1999. He estimated the euro would cost BBL BFr500m-BFr600m to implement in each of the next four years and would knock BFr1.2bn-BFr1.5bn off annual foreign exchange income.

The group's post-tax profit increased 18 per cent from BFr4.3bn to BFr5.07bn, despite a 41.6 per cent rise in depreciation, write-downs and provisions from BFr6.10bn to BFr8.65bn.

The latter included a BFr340m provision for transition to the euro, and costs of BFr1.3bn costs for an early retirement programme.

Générale des Eaux in telecoms challenge

By David Owen in Paris

Compagnie Générale des Eaux, the French utilities, property and communications group, yesterday threw down a gauntlet to France Télécom, outlining its intention to compete head-on with the state-owned telephone operator in all the main segments of the domestic market.

Mr Jean-Marie Messier, the group's recently elevated chairman and chief executive, said it had decided to become "a global operator in all telecoms segments" once the FFr117bn ($23.07bn) French market is opened fully to competition on January 1, 1998. "We will position ourselves as the alternative operator to France Télécom," he said.

The company already has a significant presence in the country's fast-growing but still underdeveloped mobile telephone sector through Société Française du Radiotéléphone, France's second-largest mobile telephone network operator.

It was clear, however, from Mr Messier's presentation that Générale des Eaux will not attempt to be all things to all French telephone users from day one of the new liberalised regime.

France Télécom's "extremely low" local residential tariffs meant the group would be particularly "selective", for example, in the way it chose to enter this market. For long distance calls, it would seek to develop an alternative network with the help of partners with "specific infrastructures" at their disposal.

By 2003, the company is aiming for a market share of 40 per cent in the mobile telephone sector – where it expects the bulk of market growth to be concentrated – a 20 per cent shareof long distance calls and 10 per cent of local calls.

This would take turnover generated for the group by the French telecoms market to FFr40bn in 2003 from about FFr3bn in 1995.

Mr Messier said that the group was setting up a new telecommunications division to be known as Cegetel, with three operational arms in the mobile, long distance and business services markets.

Discussions were in progress with a number of "large international groups" interested in taking a stake in Cegetel. These discussions should be completed in coming weeks.

NEWS DIGEST

Danone advances despite higher tax

Danone, the French food and drinks group, reported net first-half profits up 2.3 per cent at FFr1.7bn ($335m), despite increased tax charges. Sales rose 4.1 per cent to FFr41.6bn, including income from its recent ventures in outside western Europe, such as biscuit manufacturing in China and dairy products in eastern Europe and Argentina. Operating income from businesses outside western Europe rose 26.4 per cent.

The group said net income would have risen 5.1 per cent on a comparable basis after allowing for French tax changes last year. These applied to the full year but were recorded only in the second half of 1995. Operating income rose 4.3 per cent to FFr3.7bn, with increases from dairy products, biscuits, mineral water and containers divisions. There were declines in its grocery products and pasta, and beer businesses. The operating margin was 8.9 per cent. It expected 1996 net income to rise 6 per cent.
Andrew Jack, Paris

French bank signals recovery

Société Marseillaise de Crédit, the regional bank owned by the French government and scheduled for privatisation, reported net first-half income of FFr57m ($11.2m), up from only FFr6m in the same period last year, and after a loss of FFr357m for 1995. Net banking revenues rose 20 per cent to FFr698m, and the group reported an operating profit of FFr149m compared with a loss of FFr26m in the first half of 1995.

There were provisions of FFr28m against doubtful loans, FFr40m for risks and charges, and a further FFr112m in unrecoverable debts written off. Mr Pierre Habib-Deloncle, chairman, said the "encouraging" results reflected profitable treasury operations, a return to profit of the branch network owing to strong growth in commissions, and ongoing restructuring.
Andrew Jack

Sanofi gains 11% at halfway

Sanofi, the French health care group, posted net first-half profits up 11 per cent at FFr616m ($121m). Sales were stable at FFr11.3bn, while operating profits rose 14 per cent to FFr1.6bn. Excluding currencies and acquisitions and disposals, sales rose 3.5 per cent.
AFX News, Paris

Recticel in red despite sales rise

Recticel, the Belgian chemicals group, incurred a net loss, after minority interests, of BFr233m ($7.6m), against a BFr192m profit in the same period last year. Sales rose from BFr16bn to BFr17.3bn. It said, all things being equal, the improvement seen in the first half of the year should continue during the second half. It was beginning to feel the benefit of rationalisation measures and price adjustments. Higher financial costs, owing to acquisitions and working capital demands, were offset by lower interest rates.
AFX News, Brussels

Merrill Lynch in Italian deal

Merrill Lynch, the US broking house, said it had signed an agreement in principle to purchase the assets of Carnegie Italia from Carnegie International. The Merrill Lynch Italian equity research and sales team is expected to open the broker's office in Milan by the end of the year or early 1997.
AP-Dow Jones, Milan

Danzas in black and upbeat

Danzas, the Swiss transport group, said first-half net profits were SFr6m ($5m) – against a year-ago loss of SFr14m – on sales of SFr1.981bn. Operating profits were SFr6m. The group expected a much better full-year net profit than in 1995.
AFX News, Basel

■ Hoechst and Kloeckner-Werke are to merge their hard foil plastics business into a 50/50 joint venture to be called Kalle Pentaplast. The company would have 1,200 staff and annual sales of DM600m ($404m). *AFX News, Montabaur*

■ The chairman of Munich Re said he expected the recent acquisition of American Re to lift earnings per share by 1998, the Boersen-Zeitung newspaper reported. *AFX News, Munich*

CLF ahead in run-up to Belgium alliance

By Andrew Jack in Paris

Crédit Local de France, the specialist bank, yesterday reported net profits up 6 per cent to FFr793m ($156m) for the first half of the year, in the final results scheduled before its proposed strategic alliance with Crédit Communal de Belgique.

Banking income rose 23 per cent to FFr1.8bn, operating income 25 per cent to FFr1.3bn, and pre-tax profits 17 per cent to FFr1.3bn, in the six months to June 30.

Mr Pierre Richard, chairman, said: "After a transitional 1995, we have re-established the continued rhythm of growth that we are used to, and really launched our international development. We have succeeded in maintaining a return on equity above 10 per cent."

He said French local authorities had preferred to raise taxes and reduce debt levels this year, but argued they would have to make essential investments during 1997 which would increase demand for loans.

Provisions – largely against property lending – rose in the period to FFr87m, compared with FFr70m last time, and property loans were now 61 per cent covered.

Yesterday's results included significant contributions from CLF-Hypothekenbank of Germany, of which it acquired control last year, as well as new engagements from its North American operations.

The group said it had recently also been granted access by the French government to the special tax-exempt Codevi funds earmarked for loans to industry, which it would be using to support local authorities engaged in infrastructure projects.

Its CLF-Banque subsidiary, created last year, had re-established its dominance in the market for credit lines to local authorities, and had been profitable since April.

The group acknowledged that there was intense competition between banks in the local authority market.

Shareholders will meet to vote on the link-up with Crédit Communal de Belgique in early October. An exceptional dividend should be paid during December.

CLF also announced two new independent board directors who will join the new holding company created at the time of the alliance: Mr Gérard Worms, of Rothschild & Cie, and Mr Denis Kessler, president of the French Federation of insurance companies.

Sulzer doubles despite weaving machine losses

By William Hall in Zurich

Sulzer, one of the traditional pillars of the Swiss engineering industry, doubled first half net income to SFr43m ($35.6m). But its profit recovery continues to be hampered by rising losses in its Sulzer Rüti weaving machinery business where it is the world market leader.

Sulzer Rüti, the smallest of Sulzer's core businesses, has been losing money for some time and the group had been forecasting a substantial improvement in its 1996 operating results after last year's SFr34m loss.

However, Mr Fritz Fahrni, Sulzer chief executive, said yesterday the "ongoing recession" in the world weaving machinery market meant that losses on weaving machinery production would not be reduced in 1996 and are "likely to exceed the previous year's level".

Sulzer Rüti's order intake dropped 9 per cent to SFr335m in the first half and sales fell 13 per cent to SFr314m.

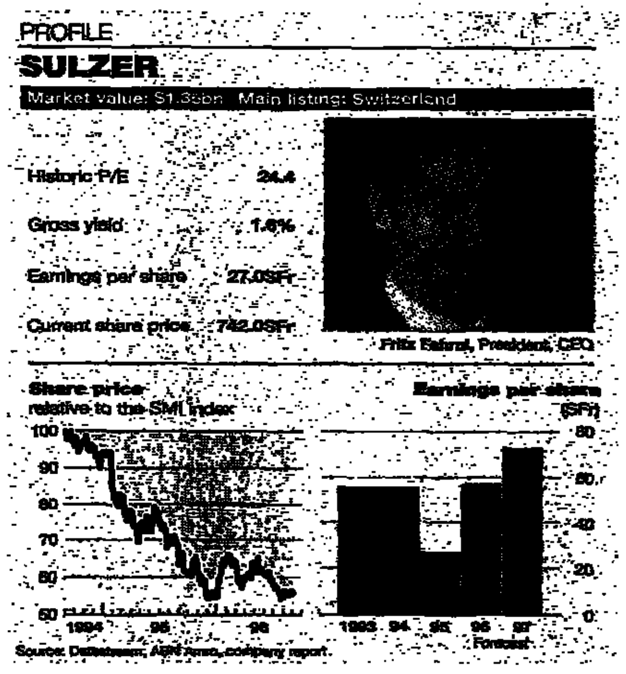
The company blamed its performance on the continuing recession in the European and North American textile industries, coupled with excess capacity in the Far East, and the unexpected delay of orders for 400 weaving machines which is the equivalent of two months' production.

Mr Fahrni said Sulzer was intensifying its efforts to deal with the group's long-running machinery problems in weaving machinery. Problems in this area – and worries that Sulzer might have to make bigger provisions on a US patent infringement case – led to a SFr14 fall in Sulzer registered shares, to SFr728.

Sulzermedica, whose SFr191m operating profit in 1995 accounted for more than the group's entire operating income, continues to be Sulzer's star performer, with sales up 11 per cent to SFr675m.

Sulzer Roteq, which makes pumps for the petroleum industry, was the other star performer with first-half sales rising 24 per cent to SFr534m, and orders increasing 20 per cent to SFr672m. By contrast, Sulzer Infra, which services the plant and building services sector and used to be Sulzer's biggest division, reported a 12 per cent drop in sales, to SFr434m.

Mr Erich Müller, Sulzer chief financial officer who is also a leading Swiss politician, said that Sulzer's performance continued to be hampered by a "grossly overvalued" Swiss franc.



Total posts 45% interim advance

By David Owen in Paris

Shares in Total hit their highest-ever level on the Paris stock exchange yesterday, as the French energy group reported a strong increase in first-half profits.

The shares reached an early peak of FFr390.40 before falling back to close at FFr385. They have recouped all the ground they lost this summer when the company came under severe criticism for investing in Burma.

At yesterday's press conference, questioners were more interested in Total's holdings in Iran and the possible effect on the company of US legislation requiring President Bill Clinton to penalise foreign companies investing $40m or more a year in the energy sectors of Iran and Libya.

Mr Thierry Desmarest, chairman and chief executive, said that in his view the company had no reason to be worried since the legislation was not retroactive. "We would certainly not have this agitation if we were not in the middle of a US election campaign," he said.

Last month, Total announced that a wholly-owned subsidiary and Petronas, Malaysia's national oil company, had joined it in a $600m project to develop two fields in Iranian waters, acquiring a 30 per cent interest.

Getting the forthcoming French results season off to a highly positive start, the group [illegible] attributable profits to [illegible] ($518m), against [illegible] a year ago. Excluding 1995's exceptional [illegible] the improvement was 34 per cent at [illegible] versus FFr1.97bn.

Net attributable profit a share reached FFr11, against FFr7.50, in line with analysts' expectations. Turnover climbed 20 per cent from FFr67.2bn to FFr80.7bn.

The bulk of the group's [illegible] in operating profits came from its energy production activities, where income rose 53 per cent to [illegible]. Mr Desmarest [illegible] refining and distribution [illegible] rose 65 per cent, from [illegible] mediocre European refining margins. Operating [illegible] chemicals rose 8 per cent to FFr984m.

The group's first-half return on equity advanced strongly to 9.9 per cent.

Victory in power battle leaves Caio in war to save Olivetti

The resignation of Mr Carlo De Benedetti as chairman of Olivetti, the Italian computer and telecommunications group he has run for the past 18 years, represents a big tactical victory for his former assistant, Mr Francesco Caio, who only took over as chief executive two months ago, seems to have spent much of that time locked in a power struggle with his autocratic boss over strategy.

When Mr Caio was appointed in early July, Mr De Benedetti gave up day-to-day executive tasks at the group, but issued a statement which made it clear that he still held the reins, and pointed out that it was he who had been "responsible for ... appointing the young and dynamic" Mr Caio to the top job at Omnitel Pronto Italia, the mobile phone group in which Olivetti has the largest stake. On Tuesday, Mr Caio, 39, returned the loaded compliment with a diplomatic statement which delivered a firm "thank you and goodbye" to his former mentor. Mr De Benedetti remains honorary chairman, and, through his holding company Cir, the largest shareholder with 15 per cent, but he is no longer on the board.

Olivetti's second management reshuffle in as many months still leaves various questions unanswered, however, as yesterday's stock market reaction indicated. An initial bounce of nearly 10 per cent in the depressed Olivetti share price was reduced later in the afternoon as investers began a more sober analysis of the problems facing the computer group as it tries to reinvent itself as a European leader in the fast-moving information technology, telecoms and multimedia sectors.

"From a sentiment point of view, De Benedetti's departure is ... unbelievably important – but it doesn't have any immediate impact on the business," said one analyst yesterday.

Outline first-half figures, released along with the resignation statements, showed pre-tax losses of L440.2bn ($291m), including a L90bn share of Omnitel's losses and L200bn of provisions for write-offs and restructurings related to the company's "decision to accelerate the downsizing of its hardware operations". Even with [illegible] but the new provisions, analysts said the operating loss – L80.5bn – was much worse than the market had expected.

Market attention is likely to focus on the fate of the "hardware sector". Employees of the group's struggling personal computer subsidiary reacted angrily yesterday to the suggestion that this meant the business had no future in the group. Since Mr Caio took over, they have expressed concern that his telecoms background would bias him against the PC business, now edging back to break-even.

At a conference call last night analysts were expected to ask more about the future of the PC subsidiary and about the performance of the more important systems and services division, which accounts for about 60 per cent of group turnover.

Mr Andrea Ruggeri, of Goldman Sachs, said: "The numbers seem to indicate systems and services' profitability has deteriorated much faster than I expected."

Doubts over Olivetti's management of the worsening situation in the European IT sector had surfaced in recent weeks, with large institutional investors voicing their concerns about the Italian group's lack of transparency. But commentators close to the group said yesterday they believed that Mr De Benedetti had stepped down principally because of differences in opinion over the future strategy of the company, and not because of pressure from fellow shareholders.

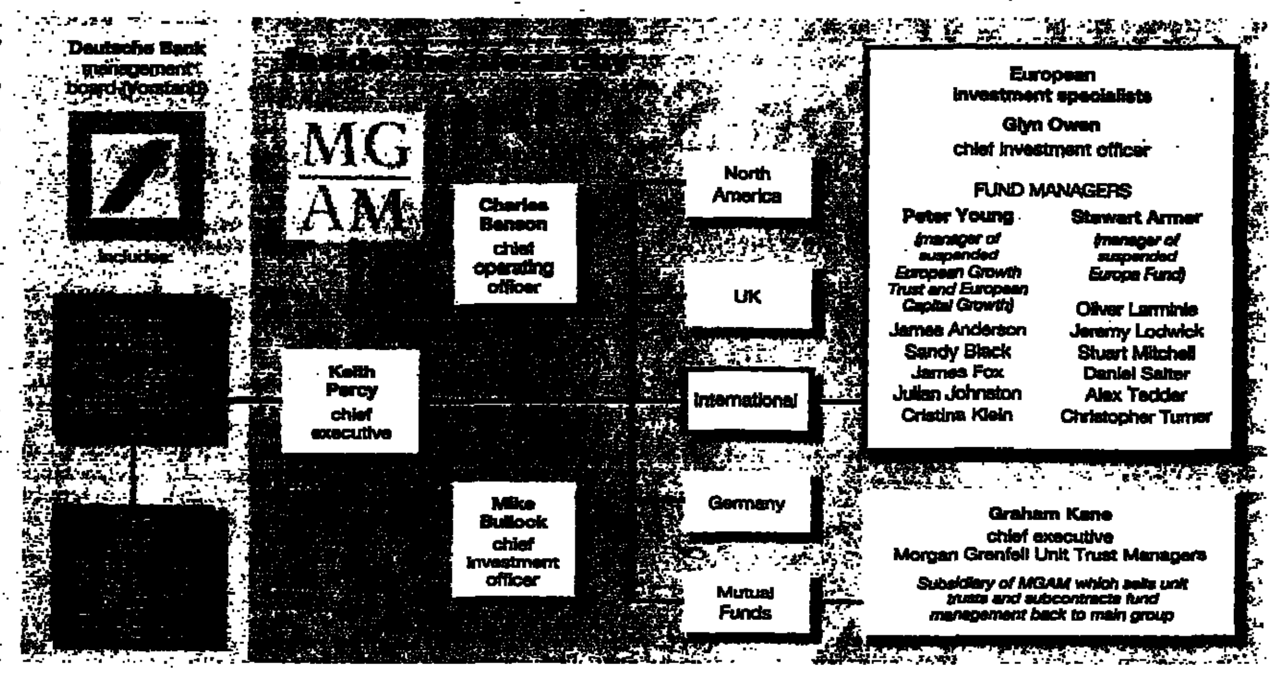
Even after this week's reshuffle, the De Benedetti family has a big presence at Olivetti: Cir's stake is enough to give Mr Rodolfo De Benedetti, the former chairman's son, a place on the new five-strong executive committee; the new chairman, Mr Antonio Tesone, is one of Mr De Benedetti's most trusted civil lawyers.

But the extent of the most recent change was evident yesterday from most commentators' description of poor first-half figures as "Mr Caio's interims". Analysts believe he will have to work hard to ensure these are not the only results he is remembered by.

Andrew Hill

THE MORGAN GRENFELL AFFAIR

Morgan Grenfell today reopens dealing in three investment funds suspended on Monday. But there are still unanswered questions as to how fund manager Peter Young was able to build up big holdings in speculative unlisted securities. FT reporters investigate



■ FIBA NORDIC

Fiba's role as broker comes under scrutiny

Fiba Nordic Securities, the stock broker which bought many of the obscure unlisted securities for the suspended Morgan Grenfell European Growth Trust, is a young, London-based equity broker which has become one of the top three traders in Nordic stocks since it was set up in its present form in 1994.

But its buccaneering style is under scrutiny following the suspension of three Morgan Grenfell investment funds and Mr Peter Young, manager of the growth trust. Fiba was one of the main brokers to the trust.

UK regulators entered into discussions with Fiba following its involvement with a placing of shares in US company Solv-Ex earlier this year. Based in New Mexico, Solv-Ex is a development company aiming to produce oil from oil sands.

Solv-Ex's share price shot from about $7 to more than $30 in March, before sinking back to about $11. As the share price reached its peak, Fiba organised a placing of Solv-Ex shares and bonds worth about $70m.

The swings in the share price are the subject of an investigation by the Securities and Exchange Commission, the US regulator. There is no suggestion that Fiba Nordic is itself under investigation by the SEC, but the incident drew the attentions of UK regulators to the company.

Fiba said it approached the SFA before it began any inquiry into the company, and offered to help with information on Solv-Ex.

In the course of discussions with Fiba, the regulators became aware of possible problems with the Morgan Grenfell European funds which were suspended this week.

Solv-Ex is similar to other companies promoted by Fiba. It is a speculative development company, which has never turned a profit since it was set up in 1981.

More than half the shares issued or placed by Fiba last year qualify as development or high-technology stocks – companies low on profits but strong on promise.

In particular, the corporate finance team, headed by Mr Erik Langaker, has had a successful business in selling unlisted technology stocks in the run-up to a listing. Mr Peter Young bought many of them.

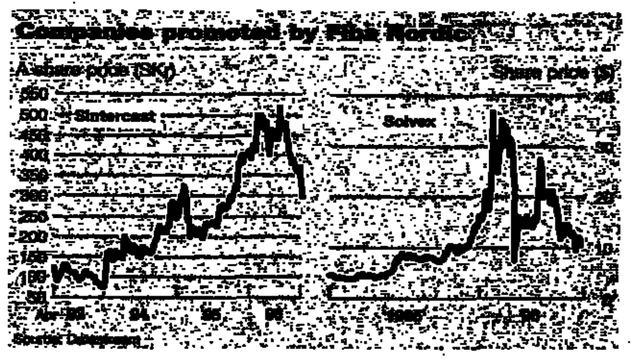
Another controversial stock handled by Fiba is SinterCast, a Swedish company that has developed a system for casting car engine blocks, and in which Mr Young invested.

Fiba has been one of the most active traders in SinterCast shares, accounting for almost half the turnover in the past six months.

Observers have expressed concern at the close relationship between the two companies. Mr Langaker is a director of SinterCast as well as Fiba, while Mr Bertil Hagman, chief executive of SinterCast, is a director of Fiba.

SinterCast has attracted attention in Sweden over the rapid rise in its share price over the past two years to a high of SKr550 in the summer, before sliding to SKr310 yesterday. Yet the company has negligible sales and has never made a profit.

Fiba grew out of a quoted Norwegian brokerage of the same name which still has a 10 per cent stake in the UK-based operation. It was set up in 1994 by the five executive directors – Mr Langaker and Mr Jan Dworsky, formerly of Alfred Berg, Mr Peter Karlsson and Mr Hakan Filipson, formerly of Enskilda, and Mr Henrik Nordling, formerly a fund manager at Swedish insurance group Trygg Hansa.



CONTROLS By Nicholas Denton

'Investments were overseen'

Mr Peter Young has been portrayed by Morgan Grenfell Asset Management as a bit of a lone operator, but many of his colleagues and managers were aware of unusual investment patterns well before his suspension. There are three different groups of people who would have had information.

First, the European Growth Trust's purchases of unlisted securities, the root of the fund's troubles, had to be authorised. Each investment had to be signed off by MGAM's compliance department, usually by Mr Mike Wheatley, the head compliance officer.

It also had to be approved by Mr Glyn Owen, chief investment officer for Europe, according to Morgan Grenfell. That means Mr Owen must have been aware not just of the size of European Growth's unlisted investments but the precise pattern of trading.

Second, MGAM executives would also have been aware of highly unusual breaches of financial services regulations of investment schemes. In July European Growth's annual report showed three infractions of Securities and Investments Board regulation 5.14.

This rule states that a fund may own no more than 10 per cent of any single company. European Growth, at the end of its financial year in May, owned more than 10 per cent of three companies: Efore, Microbics and Princess Resources. These three holdings represented only 1.55 per cent of the assets of the fund in May. However they resulted in the qualification of European Growth's annual report by its trustees, General Accident.

Funds occasionally breach rule 5.10 – that they can hold no more than 10 per cent of their assets in one stock. If the price of the stock rises unexpectedly, it can lift the fund's weighting over that threshold. But share price changes do not affect the fund's percentage stake individual companies.

Therefore breaches of rule 5.14 are much less common and it is less likely they could occur inadvertently. The report on these unusual breaches, apart from going to all unit holders, was undersigned by Mr Graham Kane, chief executive of MG Unit Trust Managers, the subsidiary which managed European Growth. Other senior executives would have seen the report.

Third, Mr Young's peers among the European specialist fund managers would have been kept closely informed of his strategy. MGAM prided itself on a collegiate atmosphere. A group of about 13 people met monthly to discuss investment strategy (see graphic above).

They would generally discuss subjects such as macro-economic policy rather than the precise composition of each fund. Yet all the group's members would have been able to ask almost any question they wished of Mr Young.

COMPANIES AND FINANCE: UK

Booker offers £264m for Nurdin & Peacock

By David Blackwell

Booker yesterday consolidated its position as the UK's largest cash and carry group with a £264m ($412m) offer for Nurdin & Peacock, its main rival.

Both Mr Charles Bowen, Booker chief executive, and Mr David Sims, Nurdin chief executive, described the deal as "wonderful" for shareholders. It will take Booker's share of the market close to 40 per cent.

However, Mr Bowen played down the possibility of a referral to the Monopolies and Mergers Commission, arguing that the cash and carry market was not closed. Independent retailers and caterers could use supermarkets and discounters as alternative supply sources.

Rationalisation has long been expected in the over-crowded cash and carry industry. Analysts, praising the fit of the two groups, suggested the deal had been driven by the breakdown of traditional food wholesaling channels.

Shares in Booker rose 23p to close at 383p. The group is offering Nurdin shareholders £154.53 in cash and 14 Booker shares for every 100 Nurdin shares. Nurdin shares jumped 70p to close at 200½p, close to the year's high.

Mr Bowen said Booker had been keen to buy Nurdin for two years. But the Peacock family, which has undertaken to sell its 28 per cent of Nurdin, changed its mind about selling only a few weeks ago. Mr Sims said the family had decided to sell with reluctance and great sadness. But, he said, plans in hand to update information technology and distribution would not have delivered a similar reward for Nurdin shareholders for two or three years.

Booker, which will make a £52m provision for restructuring, expects to save about £10m in the first full year, and more than double this in the next two years. Mr Bowen said 40 depots from a combined total of 213 would be closed, mostly the smaller Booker depots.

Additional savings would come from improved buying efficiencies and operating a single head office.

Mr Bowen said the group would need to plough back some of the savings to its customers, particularly hard pressed independent retailers. "We must defend their interests if we are to be successful, otherwise we would just be running shops."

The deal will push Booker's net borrowings to £400m at the year end, but Mr Bowen believes this will be reduced by £100m after another 12 months. The closing net assets of Nurdin are estimated at £90m after writing off £60m for goodwill.

Ashanti in $40m refinancing of Zimbabwe side

By Kenneth Gooding, Mining Correspondent

Ashanti Goldfields of Ghana has refinanced operations in Zimbabwe formerly owned by Cluff Resources, the UK-based mining company it took over eight months ago.

A $40m package has been arranged with Dresdner Bank and Union Bank of Switzerland that will refinance $28m of high coupon debt and make available an additional $12m to finance expansion of Ashanti Zimbabwe's Freda Rebecca mine near Harare. Interest cost savings will be more than $1m a year.

This completes the revitalisation promised by Ashanti at the time of the Cluff acquisition. Cluff Zimbabwe was short of cash because of its high debt and the need to pay dividends.

Mr Sam Jonah, Ashanti's chief executive, said yesterday that, since the takeover, exploration drilling at the Zimbabwe operations had been increased four-fold. This had produced a 19 per cent increase in Freda Rebecca's gold resources and a 17 per cent rise in proven and probable reserves. Also, Freda Rebecca's gold output had been lifted by 8 per cent to 95,000 troy ounces a year.

The refinancing removed cash constraints on Freda Rebecca, and Ashanti was considering a further 25 per cent increase in the mine's production to 125,000 ounces.

A similar effort at the Geita project in Tanzania, which was acquired with Cluff, had boosted its gold resources from 400,000 to 1.32m ounces.

The Zimbabwe refinancing has been structured as a seven-year, prepaid forward gold sale, with the gold delivery underwritten by the Ashanti parent group. The financing was structured and negotiated by Ashanti's corporate treasury to maximise the cashflow gain of the term – the longest yet for an African company.

Ms Mona Caesar Addo, group treasurer, described the arrangement as "an advance payment for future deliveries of gold". Ashanti Zimbabwe would pay nothing for the first 18 months.

The refinancing comes at a convenient time for Ashanti as it attempts to convince shareholders in Golden Shamrock, an Australian company with gold projects in west Africa, to accept a takeover offer.

Waterford Wedgwood up 28%

By Geoff Dyer

Strong US demand for its crystal products helped Waterford Wedgwood, the Irish luxury goods group, raise first half 1996 profits by 28 per cent.

Pre-tax profits of I£9.5m ($14.7m), compared with I£7.4m, confirmed the continued improvement at the crystal and china group which has undergone a wide-ranging restructuring in recent years. Turnover rose 8 per cent to I£163.2m.

The group, which is chaired by Mr Tony O'Reilly, reaffirmed that it was in a position to make sizeable acquisitions given the strength of its balance sheet.

Mr Richard Barnes, finance director, said the group had banking facilities which would allow it to borrow I£120m more than its peak requirement. Gearing fell from 41 per cent to 37 per cent and the interest charge dropped to I£1.9m (I£2.7m).

Like-for-like Waterford Crystal sales were up 17 per cent, reflecting strong performances in the US and in Ireland. Sales of the Marquis brand, which is less expensive than traditional products, rose 31 per cent.

Group sales fell to I£101.7m (I£104m).

CRH to buy BTR's US unit for $329m

By Simon London and Ross Tieman

Ashley Ashwood

Don Godson, CRH chief executive: deal is the group's largest

CRH, the acquisitive building materials group, is paying $329m for Tilcon, the US roadstone business being sold by BTR, the conglomerate.

The deal is CRH's biggest acquisition to date and will make the Dublin-based group the largest supplier of construction materials in the north-eastern US.

The deal was announced as CRH unveiled a 13 per cent increase in pre-tax profits to I£64.1m ($103.7m) in the six months to June. The figures were lifted by strong growth in North America, where CRH has already expanded through acquisition this year.

In July it spent $121m on Allied Building Products, a roofing, cladding and insulation supplier, and in March paid $87m for a quarrying business with operations in Utah, Nevada and Idaho.

The acquisition price for Tilcon is lower than the book value of the assets in BTR's accounts and is expected to lead to a £24m write-off by BTR during the current financial year. The deal brings total proceeds from disposals by BTR this year to £702m.

BTR was pleased to have agreed the deal, which required complex regulatory approvals, ahead of its interims on September 12, when Mr Ian Strachan, chief executive, is expected to report on steps to focus on core manufacturing activities.

CRH is paying $220m in cash and assuming $109m of Tilcon debt, although working capital is about $25m higher than normal due to seasonal demand for roadstone. About $50m is expected to be raised by selling assets.

The acquisition is being funded partly through a placing of 17.94m shares at I£5.75, representing 5 per cent of the CRH's share capital, to raise I£101m net of expenses.

Team set for Lucas Varity

By Tim Burt and Richard Wolffe

LucasVarity, the Anglo-US components group, yesterday unveiled the management team charged with turning it into one of the world's top 10 automotive suppliers.

Mr Victor Rice, chief executive, said the two-tier management structure would begin work this week to "establish a significant force in the automotive, diesel engines and aerospace markets".

He was speaking after warning this week that up to a third of the senior management at Lucas Industries and Varity Corporation could lose their jobs.

The Varity chairman, who officially takes control of the enlarged group on Friday, has set up a corporate management committee dominated by Varity executives and a strategy planning committee involving most of the former Lucas divisional directors.

Some Lucas insiders voiced concern at the Varity influence on the more senior management committee.

BBA focuses on core activities

By Tim Burt

BBA Group, which earlier this year abandoned a putative £2.4bn ($3.74bn) bid for Lucas Industries, yesterday vowed to concentrate on organic growth and bolt-on acquisitions in its core automotive components, textiles and aerospace activities.

The engineering company said it had commited £50m to improve productivity and hinted it could spend up to £300m on acquisitions without straining its balance sheet.

Nevertheless, Mr Roberto Quarta, chief executive, said he remained convinced that a Lucas takeover would have been a good move for BBA and would not be deterred from contemplating another big deal. "I will not be put off by size".

He was speaking as BBA unveiled a sharp increase in first-half profits.

Pre-tax profits rose from £33.8m to £83.1m, despite reduced turnover of £572.4m (£605.8m) in the six months to June 30.

Although the figures were flattered by exceptional losses last year and one-off gains of £11m this time, Mr Quarta said the group was enjoying top line growth on all fronts.

In the industrial division, dominated by BBA's textile activities, underlying profits rose from £28m to £44.7m, following strong contributions from Fiberweb, the non-wovens business acquired in last year's £253m takeover of Holvis, the Swiss industrial group.

In transportation profits rose from £26.9m to £29.8m despite difficult trading conditions in Germany.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BBA Group	6 mths to June 30	572	(605)	83.1♥	(33.8♠)	12.5	(0.6L)	2.1	Nov 15	1.8	-	6
Beattie (James)	6 mths to July 31	41.7	(37.2)	1.6	(1.17)	2.6	(1.8)	1.75	Nov 1	1.6	-	6.65
Biotrace	6 mths to June 30	2.35	(1.73)	1.29L♠	(0.124L)	4.2L	(0.4L)	-	-	-	-	-
Booker	24 wks to June 15	1,895	(1,617)	32.6♥	(27.9♠)	9.2	(8.3)	8.1	Jan 2	7.9	-	23.1
Brammer ☆	6 mths to June 30	103	(89.3)	12.78♥	(10.12♥)	18.5	(14.7)	5.25	Nov 11	4.75	-	14.25
Cadb'y Schweppes	6 mths to June 15	2,293	(2,025)	231	(206)	12.1†	(11.7)	5.2	Nov 22	4.9	-	16
CRH ◊	6 mths to June 30	1,000	(887.7)	64.1	(56.9♠)	13.95	(12.84)	3.08	Nov 8	2.75	-	9.1
Datrontech	6 mths to June 30	54.6	(53.7)	3.74	(2.9)	7.21	(6.1)	2.1	Oct 14	1.12	-	3.86
Epic Multimedia ◊	Year to May 31	4.17	(2.82)	1.88L	(2.47L)	18.57L†	(25.8L)	-	-	-	-	-
Hickson	6 mths to June 30	168.4	(207.3)	1	(8.1)	0.8	(2.7)	nil	-	2	-	2
Life Sciences	6 mths to June 30	115	(92)	12.4	(10.6♠)	4.6	(3.8)	1.8	Nov 8	1.6	-	4.4
Manders	6 mths to June 30	74	(77.2)	2.56	(5.40♠)	8.04	(8.07)	3.1	Nov 4	3.1	-	11.5
Nelson Hurst ☆	6 mths to June 30	27	(23.9)	6.12	(6.41♥)	7.9	(9.1)	2.85	Oct 9	2.6	-	7.8
Nardie & Peacock	6 mths to June 25	796	(780)	7.27	(15.95)	4.1	(10)	3	Oct 25	2.27	-	7.25
Premiere	6 mths to June 30	11.4	(8.12)	0.21	(0.135)	5.9	(4.1)	-	-	-	-	-
Property Tst (FY)	Year to March 31	2.81	(2.29)	0.728	(0.677)	2.11	(4.6)	-	-	-	-	-
Sira Business ◊	6 mths to April 30	3.18	(2.22)	0.274	(0.118)	0.104	(1.049)	0.028	-	-	-	-
Stadium Group	6 mths to June 30	25.3	(23.9)	2.19	(2.11)	6	(6.2)	1	Oct 8	-	-	-
Strong & Fisher §	6 mths to June 30	48.8	(54.6)	1.98	(1.14)	0.51	(0.32)	0.2	Nov 22	0.2	-	1
Watrird Wedgwd ◊	6 mths to June 30	183	(151)	9.5	(7.4)	1.06†	(0.82)	0.3	Nov 29	0.25	-	1.2
Wolverhampton (JB)	Year to July 31	100.5	(88.5)	15.2	(9.71)	39.2	(24.8)	5.9	Nov 20	5.25	9	8
Yorkshire Food	6 mths to June 25	77.8	(71.2)	4.09L♥	(0.085L)	8.68L	(0.24L)	0.85	Nov 8	0.85	-	3.85

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Underwrit.	Yr to June 30	119.7	(99.7)	0.808	(0.6)	2	(2)	1.4	Oct 15	1.1	2	1.7
Israel Fund $	6 mths to July 31	74.97	(80.11)	0.209L	(0.063)	0.13L	(0.05)	nil	-	nil	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ◊Aim stock. §USM stock. ☆Comparatives restated. ‡Irish currency. $US currency.

Acquisitions help Brammer

By Tim Burt

Brammer, the industrial distribution and rental group, increased first half profits by 26 per cent following maiden contributions from new subsidiaries and improved demand for its engineering equipment.

The company, Europe's largest distributor of bearings, power transmission and motion control products, saw pre-tax profits rise from to £12.8m ($20m) in the six months to June 30.

The results, achieved on higher sales of £102.7m (£89.3m), were buoyed by first-time profits of almost £1m and turnover of £5.44m from Rodamientos USA, the former Spanish associate where it acquired 75 per cent of the equity in April.

Mr Robert Ffoulkes-Jones, chief executive, said contributions from such activities had offset difficult conditions in UK distribution and the French rental business.

He said: "Recent acquisitions have helped lift profits despite hesitancy by some customers on the rental side and mixed conditions in distribution."

Brammer, which has spent £8.1m on acquisitions since mid-1995, saw profits in distribution rise from a restated £7.72m to £10.1m.

A strong performance from its Dutch engineering rental business helped lift profits in the rental division from £2.4m to £2.54m, offsetting weak demand in France.

Mr Ffoulkes-Jones said the group was committed to increasing its presence in such markets and would invest in new outlets and further bolt-on acquisitions where possible.

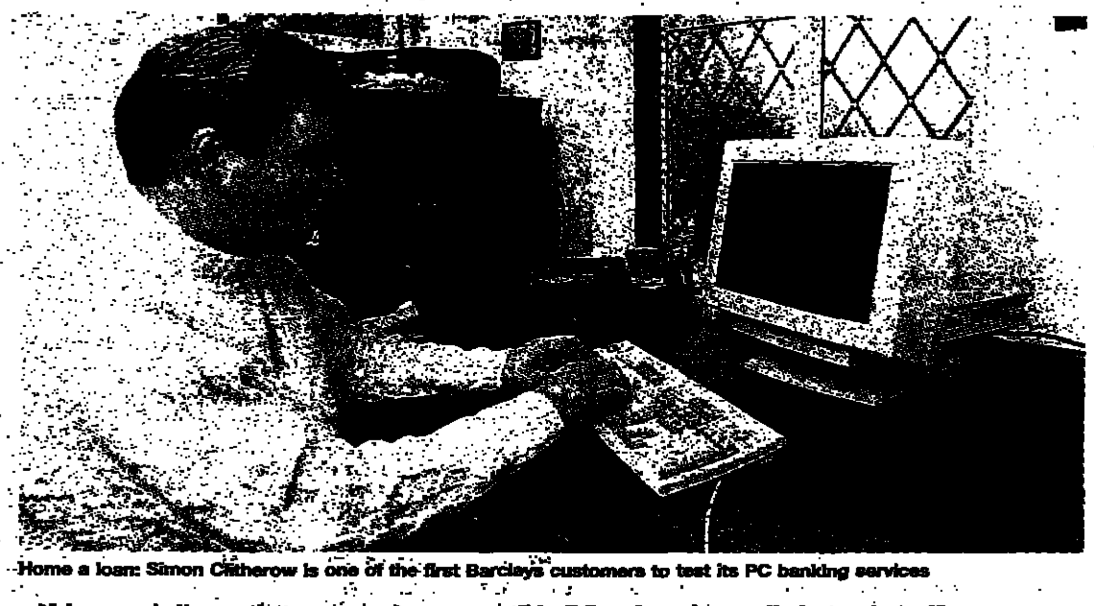
CONTRACTS & TENDERS

TECHNOLOGY

BEHIND THE NET

Many banks want to hook up to the Internet but are concerned about security, says George Cole

Any time, anywhere



Home a loan: Simon Citherow is one of the first Barclays customers to test its PC banking services

When Claus Nehmzow wants to check his bank statements or pay a bill, he simply switches on a personal computer. He can also transfer money between accounts and make electronic payments from almost anywhere in the world because his bank is on the Internet, the worldwide network of computers.

Nehmzow, a principal with the management and technology consultancy firm Booz-Allen & Hamilton, says: "I live in England but my account is in the US. If I can find a computer that's linked to the Internet, I can access my account any time and anywhere."

About 50m people have access to the Internet but this number is expected to reach 200m within two years. This huge audience, the ability to offer a 24-hour service across borders and the potentially enormous savings in operational costs, have prompted many banks and financial institutions to consider hooking up to the Internet. But while the Internet offers many advantages, one issue makes many banks nervous – security.

The potential of millions of people gaining unauthorised access to sensitive financial information on the Internet, and then using it to commit fraud is so great that few banks are prepared to offer online services.

A survey by Booz-Allen found that more than 600 banks had sites on the Internet's World Wide Web. However, almost three-quarters of the banks simply used their sites as "electronic brochures" to promote their services. Only 2 per cent of European banks and 1 per cent of US banks offered full banking services on the Internet.

"Security is holding back many banks, but the sheer economics of the Internet will see many of them offering services on it," says Michael McConnell, vice-president of Booz-Allen. "The cost of an Internet banking transaction can be measured in cents, while the same transaction at a bank branch costs dollars. You can't ignore these kind of savings."

Piero Verdiani, vice-president of Olivetti Systems and Services' professional services division, says the Internet offers an average saving of $1.20 per transaction when compared with using a traditional bank branch: "For a customer who makes five transactions a week this works out at $300 a year. A bank with 100,000 customers could potentially save $30m a year," he says.

Nehmzow believes that many of the concerns about security are more an issue of perception than of real obstacles: "People hear about hacking and get worried. Yet many people will happily give their credit card numbers over the phone, knowing that if anything should go wrong, their credit-card company will accept most of the liability. The same could happen with electronic banking."

Some banks have opted for privately-owned online services rather than the Internet. The UK-based TSB bank, for example, offers its customers an electronic-banking facility called PC Banking, through the CompuServe online service. "It's a step-up from the Internet in terms of security, but in the long term, the Internet will be an important agent for financial services," says Bill Goodland, product manager for CompuServe's financial services division.

Barclays is piloting a similar PC-based banking service for personal customers. The system, launched in February and developed with Visa Interactive, runs from Barclays software on a Windows-compatible PC and modem from customers' homes or offices.

The attraction of the Internet is that users do not need to access proprietary PC banking software or special online services to carry out banking transactions. Nehmzow's electronic bank is the Security First Network Bank, based in Atlanta, Georgia. SFNB, which claims to be the first Internet bank, opened for service in October 1995. It has more than 2,000 customers, mostly professionals aged between 26 and 55.

About 50m people have access to the Internet but the number could rise to 200m by 1998

The SFNB uses a number of security features, which include issuing each customer with a personal identification number (Pin) and encrypting or scrambling any data that is sent over the Internet. The bank's internal computer network is protected by a "firewall" which filters all electronic traffic.

This month, the US bank First City Bank and Trust plans to launch an Internet banking service using similar security facilities. In the UK, Midland Bank is working with Microsoft in order to offer Internet banking.

Olivetti, and Sparekassernes Data Center, a consortium of 80 Danish savings banks, have formed a joint venture called FIT (Financial Internet Technology). FIT has developed E-Bank (Electronic Bank), a system which uses the Internet for banking from home, and offers various levels of security, including passwords, PIN codes and encryption.

Some believe that Internet banking will take off when there is widespread use of a technology known as public-key cryptology. A key is a complex mathematical number that may be many hundreds of digits in length, creating hundreds of billions of potential combinations.

The key is divided into a public key and a private key. The public key is available to anyone, and may be printed in a directory or even posted on to the Internet. The private key is kept secret by the owner. A message is sent to the owner by encrypting it with his or her public key. Only the correct private key can decrypt it.

The public-key system also makes it possible to produce a "digital" signature. "This is important, because a bank will need to be confident that it is communicating with the genuine customer, and the customer needs to be certain that he's dealing with his bank," says McConnell. "It also provides proof that the customer authorised a particular transaction."

A digital signature is created by the sender, who encrypts part of the message with his or her private key. The recipient of the message uses the sender's public key to decrypt the segment and thus confirm the identity of the sender. The system will automatically operate whenever a message is being sent or received over the Internet.

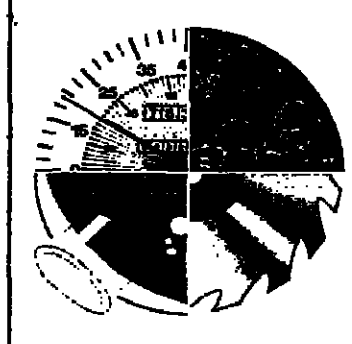
Public-key systems will also be used for credit-card transactions. Visa International and Mastercard International have joined forces with a number of companies including GTE, IBM, Microsoft and Netscape to develop SET (Secure Electronic Transactions) which will allow users to make secure credit-card payments over the Internet: "It will mean that someone making a $10 transaction won't get billed for $10m," says Bernard Ovink, senior manager of Visa's electronic commerce division. SET is due to come into operation in late 1997.

There are many encryption systems available, including several developed by RSA Data Security, based in Redwood California. RSA is providing the encryption technology for SET. The power of a key is measured in bits – an eight-bit key offers 256 possible combinations, while a 40-bit key has more than 1,000bn combinations.

Some 40-bit keys have been cracked by cryptology enthusiasts, causing some to question the security of public-key systems. But McConnell says this fear is misplaced: "It took months to crack each key and a tremendous amount of computing power. But the question is: was it worth all the effort? It's like spending $100 to counterfeit a $20 bill."

McConnell foresees a time when many people will have their own public and private keys: "I think you'll get an agency such as the Post Office distributing the keys to the public, and then financial organisations will use them to create online banking and other services. This is going to happen sooner than some people think."

Worth Watching · Vanessa Houlder



Stroke relief from the Barrier Reef

The venom from a mollusc that lives deep in the Great Barrier Reef could provide new approach to treating strokes and pain, according to scientists at the University of Queensland.

The Australian "cone shell" uses a cocktail of peptide toxins to paralyse its prey. These conopeptides work by blocking the exchange of ions involved in the transmission of messages from the brain. The scientists believe that the mechanism used by the conopeptides could be applied to treat illnesses that involve ion channels, such as strokes.

The scientists, who will describe their work at a meeting of the European peptide society next week, are trying to modify the structure of the conopeptides to make them more stable while keeping their potency.

Royal Society of Chemistry: UK, tel (0)171 440 3317; fax (0)171 437 8883.

System to beat the credit-card forgers

As forgers adopt more sophisticated technology, the race is on to devise new security devices for credit cards and other documents.

Today's Nature says scientists at the University of Arizona and the University of Connecticut have created a low-cost optical system which is difficult to forge.

Documents such as credit cards are encoded with tiny "phase masks" which can impose an invisible pattern on laser beams. These masks contain biometric information to verify the individual carrying the card and a secret code to authenticate the card.

The card can be checked with the help of a laser light source and a photorefractive polymer – a material whose refractive index is altered by the intensity of light. If the mask on the card matches a reference mask in the security reader, it produces a characteristic interference pattern confirming the authenticity of the card.

University of Arizona, US, tel (520) 6214649; fax (520) 6219610.

High-speed way to keep plaque at bay

Regular brushing can keep plaque at bay, but areas below the gum line and between teeth are still at risk, *writes Carol Jones.*

A US company has developed an electric toothbrush capable of 31,000 brush strokes per minute. At this high frequency, gentle sonic vibrations are generated which dislodge harmful bacteria without causing damage to the surrounding gum tissue.

Another advantage is that these vibrations extend 4mm beyond the end of the bristles of the toothbrush enabling areas below the gum line to be cleaned. Test have shown that this combination of high frequency brushing and sonic vibration can remove up to 80 per cent of coffee and tobacco stains, yet it is safe for people with crowns and implants.

Sonicare: US, tel (206) 9570970; fax (206) 401824.

Cutting radiation from cell phones

Concerns about the potential health risks of the microwave radiation emitted from mobile telephones are being investigated by an increasing number of scientists. Meanwhile, some manufacturers are seeking ways of cutting down the radiation absorbed by mobile phone users.

A Norwich-based company has developed a device that sticks to the front of a cellphone, which absorbs more than 80 per cent of the microwaves emitted. The product, called WaveGard, is available in six different pad shapes, making it suitable for nearly three-quarters of cellphones used in the UK.

WaveGard: UK, tel 0990 212000; fax (0)1603 709067.

Europe unsettled ahead of data

By Samer Iskandar in London and Lisa Bransten in New York

European markets traded in narrow ranges yesterday, with traders bracing themselves for important releases of data today and tomorrow from Germany and the US respectively. Renewed weakness in the Treasury market was attributed by analysts to traders pricing in a monetary tightening by the Federal Reserve.

Today's council meetings of the German and French central banks are not expected to generate any market-moving news, and all eyes are turned to tomorrow's US employment report.

■ *French bonds were firm,* despite the release of weaker than expected data showing *that GDP had contracted by* 0.4 per cent in the second quarter, against market forecasts of a *0.2* per cent fall.

Matif's September notional future closed at 123.26, up 0.10, but later fell to a low of 123.12 in after-hours trading on Globex, as the franc weakened towards the psychologically-important level of FFr3.43 against the D-Mark. In the cash market, the 7¼ per cent OAT due 2006 fell by 0.09 to close at 105.63, its yield spread over the equivalent bund widening by 1 basis point to 4.

If today's release of Ger*man GDP data shows strong* growth, it could confirm market fears that the economic recovery *is lagging* in France, and "there could be a delayed negative reaction [by OATs]", according to Mr Kirit Shah, chief market strategist at Sanwa International.

GOVERNMENT BONDS

Furthermore, December futures contracts on French and German three-month interest rates showed a 106 basis point differential, *reflecting traders' fears of* further pressure on the franc and a possible rate hike by *the central bank to defend* its currency.

Mr Shah also believes *French* bonds were supported yesterday by a stronger dollar, "which favoured other Emu contenders against Germany".

Mr Nigel Richardson, head of bond research at Yamaichi in London, said the "real test for the French market will be the budget presentation next week, and domestic investors' reaction in particular", given that foreign holdings of OATs are currently at historically low levels.

■ Italian bonds ended a quiet session slightly lower, *their 10-year yield spread* over bunds widening by 1 basis point to 318. On Liffe, the December BTP future settled at 114.71, down 0.20.

Analysts raised concerns that the official consumer price data for August might show a slightly stronger headline inflation figure than that suggested by numbers published separately by the main cities.

■ UK gilts closed slightly lower. Liffe's September long gilt future fell late in the ses*sion to settle at 106⅞, down* $\frac{1}{16}$. With a 10-year yield spread of 168 basis points *over bunds, Mr Shah said he* was bullish on gilts.

Mr Richardson agrees that "gilts offer good value based on economic fundamentals", but warns that, in the medium term, the UK market is likely to be unsettled by the forthcoming general election.

Mr Shah, however, points *to* the steepness of the yield curve, saying that "it has already priced in political uncertainty".

■ US Treasuries gave back some of the sharp gains made late on Tuesday afternoon as traders awaited fig*ures on job growth set to* be released tomorrow.

Near midday the benchmark 30-year Treasury was off $\frac{11}{32}$ at $95\frac{23}{32}$ to yield 7.086 per cent, while at the short end of the maturity spectrum, the two-year note was $\frac{1}{32}$ lower at $99\frac{3}{32}$, yielding 6.346 per cent. The December 30-year bond future fell $\frac{3}{32}$ to $107\frac{1}{32}$.

The yield curve between two-year notes and the long bond flattened by another basis point to 74 basis points as the short end *of the curve continued to* price in the possibility of an increase in short-term interest rates.

Data released in recent sessions has indicated that *the economy might be grow*ing at a faster rate than many economists believed, raising concerns that the Federal Reserve would raise interest rates at the September 24 meeting of its Open Market Committee.

The Fed may come under more pressure to raise interest rates if tomorrow's figures on non-farm employment growth for August is much stronger than the 238,000 consensus estimate.

Eurobonds maintain momentum

By Conner Middelmann

Sentiment in the primary eurobond market remained *buoyant* yesterday, with another flurry of new issues seeing a positive reception and recently launched deals putting on a strong performance.

A long-planned $500m 10-year offering for triple-A rated Kansai Electric Power saw strong demand and was oversubscribed, causing its 32-basis-point launch spread to tighten to 30, Merrill Lynch, joint bookrunner with Paribas, said.

A recent $500m 10-year issue for Kansai International Airport has put on a similar performance, yielding 24 basis points over Trea*suries late yesterday, from* its 27-point launch spread on Tuesday.

An *unusual transaction* surfaced in the D-Mark sector, where Dresdner Finance, the German bank's financing subsidiary, issued DM500m of bonds exchangeable into shares of Münchener Rückversicherung (Munich Re). The terms will be fixed today, with an indicated coupon between 2 and 2½ per cent and an exercise premium of 15 per cent over today's fixing price of Munich Re's shares.

The transaction helped Dresdner "optimise its share*holding portfolio*" by allowing it raise cheaper funding than if it issued straight bonds, a spokesman said.

Dresdner is thought to own nearly 12 per cent of Munich Re's shares and while the exchangeable bond may help it reduce its stake, it is unlikely to cut it below 10 per cent, observers said. Indeed, in a statement the bank said it wished to remain "a significant share*holder*" in Munich Re. The terms of the issue allow Dresdner to pay out the equivalent of Munich Re's shares in cash rather than handing over the shares.

The D-Mark sector produced fresh evidence of the continuing popularity among German retail investors of emerging-market risk, with a DM75m securitisation of Argentine Brady bonds. The bonds, on behalf of special-purpose vehicle Fidelio Trust No 2, carry Argentine risk, in return for which they pay a coupon of 11 per cent. That compares with Argentina's latest D-Mark bonds, issued on Tuesday, which pay a 9 per cent coupon for the seven-year tranche and 12 per cent on the 20-year paper.

INTERNATIONAL BONDS

The sterling sector saw *its first sovereign issue in about* a year, with £300m of seven-year bonds for the Kingdom *of Sweden. Despite* its punchy pricing at 20 basis points over gilts, the deal saw good demand due to the rarity value of sovereign debt, dealers said. The spread narrowed to 19 basis points towards the close, lead manager Goldman Sachs said.

The euroyen sector came back to life with a Y50bn issue of 10-year bonds for the European Investment Bank, most of which were *placed* with European institutions.

According to lead manager Nomura, many investors missed the rally which followed last week's release of the weaker-than-expected Tankan report, and have been looking for ways of recouping that lag, so they welcomed the EIB's long-dated issue.

"Most people were short and underweight in yen – *now they're trying to extend* maturity to pick up yield," said an official. He reported *some switching* out of outstanding yen issues which trade at large premiums to par.

The Japanese samurai market saw two large deals, Y70bn of six-year bonds for Mexico and Y50bn of three-year bonds for IBM, both via Daiwa Securities.

The French franc sector was also busy, with FFr2bn of 11-year bonds for the Province du Quebec and FFr1.5bn of 12-year bonds for Freddie Mac. Another FFr2bn are expected to sur*face next* Monday for the African Development Bank via Société Générale.

● Moody's, the rating agency, has assigned a Ba2 sovereign ceiling to foreign-currency bonds for Lithuanian issuers, including the government's two outstanding eurobonds.

It said the ratings were supported by the low external debt burden of the country, the strength of its economic stabilisation programme, and the pro-reform stance of the main *political* parties.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Kansai Electric Power	500	7.25	99.313R	Sep 2006	0.325R	+32(7%-06)	Merrill Lynch/Paribas
Bayerische Hypo	200	6.75	99.98R	Oct 1999	0.20R	+14(6%-99)	ABN Amro/Bear Stearns
Merrill Lynch & Co(f)‡	150	(a)	99.55R	Oct 2003	0.25R	-	Merrill Lynch International
D-MARKS							
Dresdner Finance(b)§	500	(2-2½)	100.00	Oct 2001	2.25	-	Dresdner KB
Crédit Local de France	300	5.375	99.65R	Oct 2001	0.25R	+30(5%-01)	Paribas Capital Markets
Fidelio Trust No 2(c)	75	11.006	99.75	Apr 2005	undisc	-	HSBC Trinkaus
YEN							
European Investment Bank	50bn	3.00	100.00R	Sep 2006	0.325R	-5¾(JGB 188)	Nomura International
Volkswagen Intl Finance(d)§	10bn	0.50#	100.00	Sep 1998	1.75	-	Citibank International
SWISS FRANCS							
Statkraft(f)	150	4.00	102.65	Dec 2002	2.25	-	Credit Suisse
Telenor(f)	100	3.50	101.375	Oct 2000	1.375	-	UBS
STERLING							
Kingdom of Sweden(b)	300	7.75	99.892R	Dec 2003	0.30R	+20(8%-03)	Goldman Sachs Intl.
FRENCH FRANCS							
Province du Quebec	2bn	6.875	99.18R	Sep 2007	0.375R	+47(t)	Société Générale
Federal Home Loan Mtg Corp	1.5bn	6.625	99.862R	Oct 2008	0.35R	+10(8½%-08)	Banque Paribas
CANADIAN DOLLARS							
Crédit Local de France	100	7.00	99.92R	Oct 2002	0.275R	+20(7%-01)	Scotia Capital Markets
AUSTRALIAN DOLLARS							
State Bank of NSW	100	7.75	101.35	Oct 2001	2.00	-	Toronto Dominion Bank
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	6.00	102.75	Dec 2002	1.875	-	Kredietbank Luxembourg
Banque Indosuez(f)	2bn	5.75	102.20	Dec 2001	1.75	-	BGL
SLOVAK KORUNA							
BayerVB Overseas Finance	2bn	11.50	100.22R	Sep 1997	0.15R	-	Bayerische Vereinsbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +15bp. b) Exchangeable into Munich Re registered shares. Fixed today: indicated premium 15%. Callable from 1/10/98 subject to 130% hurdle. Cash delivery option. c) Repackaged Argentine FRB Brady bonds. d) Redeemed in US$. f) Over interpolated yield. t) Long 1st coupon. s) Short 1st coupon.

Growth seen in US foreign investment

By Conner Middelmann

More than two-thirds of US fund managers expect their companies' investments in foreign equities to increase over the next two to three years, a new survey shows.

The report, commissioned by Citibank, also showed *that US portfolio managers* plan to increase their holdings of American Depositary Receipts (ADRs). Citibank is a leading depositary bank for ADRs.

US investment in international securities has grown from $17bn in 1981 to considerably more than $300bn today, the report says.

Foreign issuers have benefited from US investors' growing appetite for overseas exposure: since 1991, nearly 1,000 depositary receipt programmes have *been established and non-US* companies have raised more than $60bn by issuing ADRs.

According to the survey, some 69 per cent of respondents expected to see an increase in their company's investments in foreign equities. Only 3 per cent predicted a decrease, and the rest said they expected no change from present allocation levels.

Some of the reasons fund managers cited for raising their foreign investments included growth opportuni*ties in foreign markets,* better relative returns, the ability to diversify and reduce risk, and increasing client interest.

The fund managers questioned said they buy ADRs and local ordinary shares, and expect their use of both types of instruments to grow.

However, the survey showed that the majority tended to prefer ADRs thanks to the "ease of administration" they offer, the "increasing liquidity *among certain stocks*" and "more convenient trading".

The survey was conducted by Andrews Research Associates which interviewed 226 portfolio managers across the US.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.0430	+0.448	8.21	8.07	8.54
Austria		6.250	05/06	96.3700	+0.080	6.37	6.35	6.43
Belgium		7.000	05/06	102.4600	+0.030	6.64	6.61	6.70
Canada *		7.000	12/06	96.4700	+0.140	7.50	7.34	7.67
Denmark		8.000	03/06	104.2800	+0.280	7.35	7.33	7.33
France	BTAN	5.500	10/01	99.5090	-0.040	5.61	5.64	5.40
	OAT	7.250	04/06	105.6300	-0.090	6.44	6.44	6.35
Germany Bund		6.250	04/06	98.9200	-	6.40	6.37	6.35
Ireland		8.000	08/06	102.4400	-0.080	7.64	7.62	7.61
Italy		*9.500*	*02/06*	*100.7000*	*-0.130*	*9.38†*	*9.38*	*9.21*
Japan	No 140	6.600	06/01	120.7248	+0.121	1.87	1.93	2.32
	No 182	3.000	09/05	100.1779	+0.142	2.98	3.02	3.31
Netherlands		8.500	06/06	115.3900	+0.100	6.33	6.34	6.31
Portugal		11.875	02/05	118.8500	+0.100	8.62	8.60	8.61
Spain		8.800	04/06	99.9300	+0.420	8.86	8.88	8.71
Sweden		6.000	02/05	87.1025	+0.111	8.17	8.16	8.27
UK Gilts		8.000	12/00	103-08	-2/32	7.09	7.03	7.16
		7.500	12/06	97-01	-3/32	7.92	7.88	7.90
		9.000	10/08	107-09	-3/32	8.04	8.00	8.01
US Treasury *		7.000	07/06	100-15	+8/32	6.93	6.75	6.80
		6.750	08/26	*95-23*	+11/32	7.10	6.97	6.99
ECU (French Govt)		7.500	04/05	104.2500	+0.020	6.82	6.84	6.81

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal *Source: MMS International*

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.35
Broker loan rate	7	Two month	-	Three year	6.53
Fed.funds	5⅜	Three month	5.31	Five year	6.72
Fed.funds at intervention	-	Six month	5.58	10-year	6.91
		One year	5.92	30-year	7.09

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.30	123.26	+0.10	123.34	123.22	88,935	151,231
Dec	121.80	121.84	+0.08	121.94	121.82	42,522	60,616
Mar	121.60	121.78	+0.12	121.86	121.80	224	11,869

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
120	-	-	-	0.11	-	0.51
121	-	1.46	-	0.26	0.56	0.78
122	0.47	0.83	1.06	0.61	0.95	1.18
123	0.12	0.40	0.63	-	1.53	-
124	0.02	-	0.33	-	-	-

Est. vol. total, Calls 8,851 Puts 17,363. Previous day's open int. Calls 88,028 Puts 99,337.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.35	97.22	+0.02	97.36	97.14	92010	64782
Dec	96.42	96.28	+0.04	96.42	96.20	129145	148006

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9600	0.59	0.86	1.07	1.03	0.31	0.58	0.79	1.70
9650	0.31	0.59	0.80	0.82	0.53	0.81	1.02	1.99
9700	0.15	0.39	0.56	0.64	0.87	1.11	1.30	2.31

Est. vol. total, Calls 5136 Puts 6537. Previous day's open int., Calls 112293 Puts 114573

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.72	115.71	+0.05	115.75	115.60	10773	9989
Dec	114.97	114.71	-0.20	115.04	114.69	27521	53035

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Mar	PUTS Dec	Mar
11450	1.73	2.11	1.52	2.40
11500	1.42	1.88	1.71	2.68
11550	1.15	1.65	1.94	2.97

Est. vol. total, Calls 1950 Puts 1343. Previous day's open int., Calls 51887 Puts 73398

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.03	100.84	-0.06	101.07	100.82	68,841	44,983
Dec	100.50	100.42	-	100.53	100.37	2,531	14,042

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-03	106-26	-0-02	107-07	106-27	23111	57657
Dec	106-10	106-04	-0-02	106-17	106-03	24327	86055

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
106	0-40	1-04	1-25	1-48	0-32	0-60	1-17	2-16
107	0-15	0-39	0-59	1-22	1-07	1-31	1-51	2-54
108	0-05	0-20	0-37	1-00	1-61	2-12	2-29	3-32

Est. vol. total, Calls 3609 Puts 2389. Previous day's open int., Calls 14413 Puts 13187

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.96	91.92	+0.04	92.00	91.90	2,957	7,077
Dec	90.16	90.10	+0.04	90.18	90.08	2,338	1,710

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	107-29	107-26	-0-03	108-07	107-21	26,095	178,195
Dec	107-12	107-10	-0-02	107-22	107-04	403,887	260,778
Mar	107-03	106-27	-0-05	107-03	106-25	1,769	9,063

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	122.58	-	-	122.42	122.33	1206	n/a
Dec	120.71	-	-	120.76	120.65	2766	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Sep 4	Day's change %	Tue Sep 3	Accrued interest	xd adj. ytd		Low coupon yield Sep 4	Sep 3	Yr. ago	Medium coupon yield Sep 4	Sep 3	Yr. ago	High coupon yield Sep 4	Sep 3	Yr. ago
1 Up to 5 years (22)	121.74	0.03	121.70	2.19	6.91	5 yrs	7.18	7.20	7.48	7.26	7.27	7.51	7.33	7.35	7.59
2 5-15 years (20)	147.49	0.13	147.29	2.63	7.20	15 yrs	8.13	8.15	8.00	8.13	8.17	8.04	8.15	8.18	8.13
3 Over 15 years (8)	160.56	0.41	159.91	2.60	8.64	20 yrs	8.24	8.27	8.04	8.22	8.26	8.07	8.25	8.28	8.14
4 Irredeemables (6)	183.97	0.05	183.87	3.68	7.36	Irred.†	8.31	8.31	8.12						
5 All stocks (56)	142.14	0.14	141.94	2.59	7.46										
Index-linked							Inflation 5% Sep 4	Sep 3	Yr. ago	Inflation 10% Sep 4	Sep 3	Yr. ago			
6 Up to 5 years (1)	200.20	0.01	200.18	3.20	4.43	Up to 5 yrs	2.12	2.12	2.77	0.49	0.48	1.00			
7 Over 5 years (11)	188.33	0.00	188.32	1.17	3.48	Over 5 yrs	3.73	3.73	3.59	3.52	3.52	3.34			
8 All stocks (12)	188.47	0.00	188.46	1.21	3.44										

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29	Yr ago	High*	Low*
Govt. Secs. (UK)	92.78	92.83	92.90	92.73	92.83	94.23	96.34	91.59
Fixed Interest	113.02	113.05	113.12	113.33	113.36	112.72	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 3	Sep 2	Aug 30	Aug 29	Aug 28
Gilt Edged bargains	81.6	80.0	77.2	96.3	109.6
5-day average	84.9	83.4	86.9	87.1	85.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 4

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
FLOATING RATE NOTES					
[illegible]					
CONVERTIBLE BONDS					
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month (above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						
Other Fixed Interest						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1995: 150.7 and for July 1996: 152.4.

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Yen gains ground as markets await new data

By Richard Adams

The Japanese yen strengthened against the other major trading currencies on the foreign exchange markets yesterday, while dealers awaited important economic data from Britain, Germany and the United States.

The yen's upward movement on the European markets was attributed by some traders to a recent number of large deals involving Japanese corporations.

The dollar fell back against the yen from the previous day's close of Y109.290, to end the day's trading in London at a support level of Y108.705. Earlier in the day the dollar proved unable to find many buyers above Y109.10.

The yen's biggest gain was against sterling. It rose to be worth Y170.172 to the pound, having been Y171.356. Against the D-Mark the yen strengthened to Y73.36, from Y73.66.

Meanwhile, both the dollar and sterling lost a little ground after their gains earlier in the week. The dollar slipped against the D-Mark, to DM1.4823 from DM1.4844, finding congestion around DM1.4838.

The pound went from DM2.3274 on Tuesday to DM2.3204. Technical analysts in London saw the possibility of the pound settling to DM2.3150.

For much of the day analysts said they were waiting on the outcome of yesterday's meeting between Mr Kenneth Clarke, the chancellor of the Exchequer, and Mr Eddie George, governor of the Bank of England. No announcement on base rates had been made by the time the London market closed.

In Germany the focus was on the release of the latest gross domestic product data scheduled for today. In the US, with concern over tension with Iraq receding, dealers were looking towards the announcement of July's non-farm payroll employment figures in the US tomorrow.

■ Rumours circulating yesterday of a much bigger than expected quarter-on-quarter increase in Germany's gross domestic product could spell further danger for the French franc.

The suggestion was that the rise will be around 2 per cent, compared to expectations of 1.5 per cent growth. If the higher forecast proves to be correct, that level of activity in the Germany economy makes it unlikely the Bundesbank will consider cutting interest rates any further.

Source: Datastream

"It is at the edge of the realms of possibility," Mr Chris Furness, senior market strategist at 4Cast in London, said of the 2 per cent figure.

If that conclusion was accepted by the markets, then firm upward pressure on the D-Mark would resume. The danger for the French franc is that it is vulnerable in the run-in to the tax and spending changes to be announced in the French budget for 1997, to be announced on 18 September.

News that French GDP fell by minus 0.4 per cent in the second quarter had little effect on the market. The franc yesterday touched FFr3.4336 against the D-Mark, before ending at FFr3.4296.

■ Mr Trevor Manuel, South Africa's finance minister, yesterday said he opposed calls for a sudden abolition of the remaining exchange controls.

"The authorities favour a gradual approach to the elimination of exchange controls," Mr Manuel told the South African parliament.

Mr Manuel said the volatility of the South African rand, which lost over 20 per cent of its value since February, showed the need for the careful management.

South Africa has lifted all controls on non-residents, but retains controls on the export of funds by South African nationals and residents. The government has promised to drop the remaining controls.

The rand closed yesterday at R4.4860 against the dollar.

■ Aggressive buying by Japanese institutions was said to be behind the strength of the yen yesterday, with the D-Mark weakening against it. Mr Furness said there was considerable support for the D-Mark at Y73.20, but if that were to break, then a fall to around 72.50 could be seen.

■ Pound in New York

Sep 4	—Latest—	—Prev. close—
£ spot	1.5675	1.5665
1 mth	1.5672	1.5662
3 mth	1.5666	1.5658
1 yr	1.5720	1.5622

■ OTHER CURRENCIES

Sep 4	£	$
Czech Kr	41.3765 - 41.4264	26.4370 - 26.4570
Hungary	236.856 - 237.140	151.400 - 151.450
Iran	4687.40 - 4693.30	2990.00 - 3000.00
Kuwait	0.4686 - 0.4690	0.2994 - 0.2995
Poland	4.2993 - 4.3044	2.7470 - 2.7480
Russia	8404.59 - 8411.48	5370.00 - 5372.00
U.A.E.	5.7481 - 5.7515	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Sep 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3286	-0.0492	210 - 361	16.3619	16.3202	16.2274	2.3	16.2224	2.6	-	-	105.3
Belgium	(BFr)	47.8245	-0.1219	825 - 665	47.9610	47.7700	47.7295	2.4	47.5395	2.4	46.7695	2.2	107.3
Denmark	(DKr)	8.9662	-0.0243	618 - 705	8.9864	8.9612	8.9525	1.8	8.9322	1.5	8.8243	1.6	108.1
Finland	(FM)	7.0377	-0.0199	322 - 431	7.0640	7.0320	7.0333	0.8	7.0252	0.7	-	-	85.2
France	(FFr)	7.9562	-0.0129	525 - 577	7.9860	7.9325	7.9490	1.1	7.917	1.9	7.8101	1.8	108.5
Germany	(DM)	2.3204	-0.007	195 - 213	2.3288	2.3190	2.3156	2.5	2.3059	2.5	2.2696	2.4	108.4
Greece	(Dr)	370.433	-1.128	271 - 594	371.922	370.285	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9650	-0.0001	643 - 656	0.9661	0.9642	0.9645	0.6	0.9633	0.7	0.9588	0.6	100.0
Italy	(L)	2367.96	-4.89	690 - 905	2377.00	2366.80	2373.53	-2.8	2383.38	-2.6	2415.88	-2.0	76.5
Luxembourg	(LFr)	47.8245	-0.1219	825 - 665	47.9610	47.7700	47.7295	2.4	47.5395	2.4	46.7695	2.2	107.3
Netherlands	(Fl)	2.6022	-0.007	012 - 031	2.6118	2.6010	2.5961	2.8	2.5841	2.8	2.5364	2.5	107.0
Norway	(NKr)	10.0241	-0.0505	202 - 279	10.1003	10.0200	10.0156	1.0	9.9986	1.0	9.9161	1.1	98.7
Portugal	(Es)	237.808	-0.56	692 - 923	238.364	237.681	238.233	-2.1	239.138	-2.2	-	-	95.7
Spain	(Pta)	196.294	-0.276	217 - 351	196.822	196.215	196.544	-1.5	197.099	-1.6	198.459	-1.1	80.8
Sweden	(SKr)	10.3992	-0.0135	886 - 035	10.4279	10.3846	10.3955	0.0	10.3958	0.0	10.3936	0.0	88.8
Switzerland	(SFr)	1.8872	-0.0028	859 - 884	1.8959	1.8857	1.8822	3.2	1.8714	3.4	1.8232	3.4	113.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.5
Ecu	-	1.2308	-0.0029	301 - 314	1.2349	1.2300	1.2295	1.3	1.2265	1.4	1.2131	1.4	-
SDR†	-	1.072700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5662	-0.0005	648 - 656	1.5685	1.5655	-	-	-	-	-	-	-
Brazil	(R$)	1.5922	-0.0015	915 - 927	1.5931	1.5906	-	-	-	-	-	-	-
Canada	(C$)	2.1448	-0.0027	439 - 456	2.1496	2.1427	2.1441	0.4	2.1404	0.8	2.1324	0.6	83.9
Mexico	(New Peso)	11.8364	-0.0569	259 - 468	11.8613	11.8255	-	-	-	-	-	-	-
USA	($)	1.5655	-0.0024	651 - 658	1.5687	1.5637	1.5651	0.3	1.5651	0.1	1.565	0.0	98.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9765	-0.0026	754 - 775	1.9808	1.9748	1.979	-1.5	1.9841	-1.5	2.0093	-1.7	92.8
Hong Kong	(HK$)	12.1045	-0.0205	017 - 073	12.1309	12.0916	12.0985	0.6	12.0849	0.7	12.0631	0.3	-
India	(Rs)	55.9649	+0.1084	393 - 905	56.2970	55.8450	-	-	-	-	-	-	-
Israel	(Shk)	4.9220	-0.0085	166 - 271	4.9825	4.9155	-	-	-	-	-	-	-
Japan	(Y)	170.172	-1.184	064 - 281	171.550	170.020	169.447	5.1	167.957	5.2	161.542	5.1	133.3
Malaysia	(M$)	3.9092	-0.0089	079 - 104	3.9197	3.9049	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2611	-0.0042	594 - 627	2.2674	2.2590	2.2661	-2.7	2.2735	-2.6	2.3084	-2.1	108.2
Philippines	(Peso)	41.0540	-0.0768	200 - 879	41.1228	40.9445	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8713	-0.0094	698 - 728	5.8834	5.8650	-	-	-	-	-	-	-
Singapore	(S$)	2.2035	-0.0042	026 - 043	2.2087	2.2020	-	-	-	-	-	-	-
South Africa	(R)	7.0226	-0.0094	171 - 281	7.0329	7.0120	-	-	-	-	-	-	-
South Korea	(Won)	1281.71	-2.09	135 - 208	1284.92	1280.36	-	-	-	-	-	-	-
Taiwan	(T$)	43.0397	-0.1011	262 - 532	43.1557	42.9955	-	-	-	-	-	-	-
Thailand	(Bt)	39.5856	-0.0901	689 - 022	39.7230	39.5550	-	-	-	-	-	-	-

† Rates for Sep 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4305	-0.0151	281 - 331	10.4560	10.4278	10.4111	2.2	10.3691	2.4	10.1856	2.3	105.3
Belgium	(BFr)	30.5500	-0.03	300 - 700	30.6030	30.5290	30.495	2.2	30.3875	2.1	29.885	2.2	107.0
Denmark	(DKr)	5.7275	-0.0068	260 - 290	5.7386	5.7246	5.72	1.6	5.703	1.7	5.634	1.6	107.4
Finland	(FM)	4.4956	-0.0057	891 - 021	4.5108	4.4771	4.4891	1.7	4.4771	1.6	4.4316	1.4	84.8
France	(FFr)	5.0817	-0.0004	812 - 822	5.0955	5.0795	5.0741	1.8	5.0602	1.7	4.9912	1.8	108.2
Germany	(DM)	1.4823	-0.0021	820 - 825	1.4861	1.4816	1.4796	2.2	1.4738	2.3	1.4486	2.4	108.7
Greece	(Dr)	236.630	-0.35	580 - 680	237.260	236.540	238.395	-8.5	241.855	-8.5	255.63	-8.0	66.9
Ireland	(I£)	1.6223	-0.0023	215 - 231	1.6250	1.6195	1.6229	-0.4	1.6238	-0.4	1.6163	0.4	-
Italy	(L)	1512.65	-0.75	230 - 300	1516.50	1511.50	1517.4	-3.8	1525.55	-3.4	1548.3	-2.4	76.0
Luxembourg	(LFr)	30.5500	-0.03	300 - 700	30.6030	30.5290	30.495	2.2	30.3875	2.1	29.885	2.2	107.0
Netherlands	(Fl)	1.6622	-0.0018	620 - 625	1.6667	1.6615	1.659	2.3	1.6519	2.5	1.6291	2.0	106.9
Norway	(NKr)	6.4033	-0.0222	023 - 043	6.4415	6.4010	6.4003	0.6	6.3948	0.5	6.3583	0.7	97.7
Portugal	(Es)	151.910	-0.12	870 - 950	152.230	151.750	152.225	-2.5	152.815	-2.4	154.96	-2.0	95.7
Spain	(Pta)	125.395	-0.02	370 - 420	125.640	125.330	125.695	-2.4	126.065	-2.2	127.605	-1.8	80.8
Sweden	(SKr)	6.6404	+0.0017	365 - 442	6.6499	6.6341	6.6395	0.2	6.6418	-0.1	6.6169	0.4	88.2
Switzerland	(SFr)	1.2055	-0.0004	050 - 060	1.2098	1.2048	1.202	3.5	1.1945	3.6	1.161	3.7	112.4
UK	(£)	1.5655	-0.0024	651 - 658	1.5687	1.5637	1.5651	0.3	1.5643	0.3	1.565	0.0	85.4
Ecu	-	1.2720	+0.001	716 - 723	1.2725	1.2693	1.2728	-0.7	1.2744	-0.8	1.2833	-0.9	-
SDR†	-	0.68740	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0013	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0171	+0.0008	169 - 172	1.0175	1.0168	-	-	-	-	-	-	-
Canada	(C$)	1.3701	+0.0004	698 - 703	1.3705	1.3695	1.37	0.1	1.3702	0.0	1.373	-0.2	83.2
Mexico	(New Peso)	7.5610	-0.0245	560 - 660	7.5660	7.5560	7.7225	-25.6	7.9075	-18.3	9.671	-27.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2625	+0.0004	621 - 629	1.2630	1.2620	1.2645	-1.9	1.268	-1.7	1.2867	-1.9	94.5
Hong Kong	(HK$)	7.7324	-0.0009	322 - 325	7.7332	7.7320	7.7331	-0.1	7.7349	-0.1	7.7619	-0.4	-
India	(Rs)	35.7500	+0.125	500 - 500	35.9650	35.5400	35.9	-5.0	36.205	-5.1	37.675	-5.4	-
Israel	(Shk)	3.1441	-0.0005	415 - 467	3.1790	3.1390	-	-	-	-	-	-	-
Japan	(Y)	108.705	-0.5	680 - 730	109.320	108.650	108.26	4.9	107.36	4.9	103.62	4.7	133.1
Malaysia	(M$)	2.4972	-0.0017	969 - 974	2.5000	2.4967	2.4981	-0.4	2.5042	-1.1	2.5277	-1.2	-
New Zealand	(NZ$)	1.4443	-0.0004	435 - 451	1.4454	1.4435	1.4474	-2.6	1.4532	-2.5	1.4778	-2.3	-
Philippines	(Peso)	26.2250	-0.01	900 - 600	26.2600	26.1900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0001	504 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4076	-0.0005	073 - 078	1.4083	1.4070	1.4041	3.0	1.3981	2.7	1.3726	2.5	-
South Africa	(R)	4.4860	+0.001	835 - 885	4.4895	4.4785	4.5335	-12.7	4.6235	-12.3	4.961	-10.6	-
South Korea	(Won)	818.750	-0.05	700 - 800	819.300	818.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.4935	-0.0215	910 - 960	27.5100	27.4900	27.4985	-0.2	27.5035	-0.1	-	-	-
Thailand	(Bt)	25.2870	-0.018	820 - 920	25.3000	25.2820	25.3957	-4.7	25.5995	-4.8	26.472	-4.7	-

† SDR rate per $ for Sep 3 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 3: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3¼	3¼	3⅜	6.00	2.50	-
week ago	3¼	3⅛	3¼	3¼	3⅜	6.00	2.50	-
France	3⅝	3⅝	3⅞	4⅛	4⅜	3.35	-	4.75
week ago	3⅝	3⅝	4	4⅛	4⅜	3.35	-	4.75
Germany	3¼	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
week ago	3	3¼	3¼	3⅛	3¼	4.50	2.50	3.00
Ireland	5¼	5⅝	5⅝	5⅝	6⅛	-	-	6.25
week ago	5⅝	5⅝	5¾	6	6⅛	-	-	6.25
Italy	8⅝	8⅝	8⅝	8½	8⅜	-	8.25	8.56
week ago	8⅝	8⅝	8⅝	8⅝	8⅝	-	8.25	8.85
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
Switzerland	1⅞	1⅞	2⅛	2⅛	2¼	-	1.50	-
week ago	1⅝	1⅞	2⅛	2⅛	2¼	-	1.50	-
US	5¼	5⅜	5⅝	5⅝	6⅛	-	5.00	-
week ago	5¼	5⅜	5⅝	5¾	5⅞	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5¾	6⅛	-	-	-
week ago	-	5⅜	5⅝	5⅝	6	-	-	-
US Dollar CDs	-	5.17	5.33	5.50	5.86	-	-	-
week ago	-	5.17	5.16	5.26	5.49	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-	-	-
week ago	-	4⅜	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅝	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3 1/16 - 3	3½ - 3	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3 15/32 - 3 13/32
Danish Krone	3½ - 3¼	3⅜ - 3 3/16	3 13/32 - 3⅝	4 - 3 13/16	4 1/16 - 3 15/16	4 5/16 - 4 3/16
D-Mark	3 3/16 - 3 1/16	3¼ - 3	3¼ - 3	3¼ - 3	3 5/16 - 3 3/16	3⅜ - 3¼
Dutch Guilder	2¾ - 2⅝	2¾ - 2⅝	2¾ - 2 11/16	2 13/16 - 2¾	2 29/32 - 2 27/32	3 3/16 - 3⅛
French Franc	3 9/16 - 3 7/16	3⅝ - 3⅝	3 13/16 - 3⅝	4 - 3 27/32	4⅛ - 4	4¼ - 4⅛
Portuguese Esc.	6 15/16 - 6 13/16	7 7/32 - 7 3/32	7 5/32 - 7 3/16	7 5/32 - 7 1/16	7 3/16 - 7⅛	7 3/16 - 7⅛
Spanish Peseta	7 3/32 - 7 1/16	7 3/32 - 7 1/16	7 3/16 - 7 1/16	7 3/16 - 7 3/32	7¼ - 7 3/32	7 7/32 - 7 3/32
Sterling	5¼ - 5	5 13/16 - 5 11/16	5¾ - 5 11/16	5¾ - 5 11/16	5 29/32 - 5 27/32	6 - 5 27/32
Swiss Franc	2 - 1⅞	2 - 1⅞	2⅛ - 2	2 3/16 - 2 1/16	2 3/16 - 2 1/16	2 7/16 - 2 5/16
Can. Dollar	4 1/16 - 3⅞	4 1/16 - 3⅞	4 1/16 - 3 15/16	4 5/32 - 4 1/32	4 7/16 - 4 5/16	4⅞ - 4¾
US Dollar	5⅜ - 5¼	5 3/16 - 5 5/16	5⅜ - 5 5/16	5 9/16 - 5⅜	5 13/16 - 5⅝	6¼ - 6⅛
Italian Lira	8¾ - 8¼	8⅝ - 8½	8 17/32 - 8 7/16	8⅝ - 8 17/32	8½ - 8 13/32	8⅝ - 8 15/32
Yen	½ - ⅜	7/16 - 5/16	9/16 - ½	½ - 11/32	⅝ - ½	21/32 - 9/16
Asian $Sing	2 7/16 - 2 5/16	3⅜ - 3¼	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.85	95.88	+0.02	95.90	95.82	26,558	52,405
Dec	95.69	95.72	-	95.75	95.67	24,902	51,500
Mar	95.78	95.78	-	95.81	95.75	3,310	37,613

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.84	96.83	-0.01	96.85	96.83	10861	166403
Dec	96.78	96.76	-0.01	96.79	96.75	25195	242321
Mar	96.61	96.59	-	96.61	96.57	14031	204061
Jun	96.37	96.34	-0.01	96.37	96.33	10903	152697

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.39	91.34	-0.05	91.40	91.33	6728	44740
Dec	91.86	91.81	-0.06	91.87	91.80	8309	49338
Mar	92.15	92.12	-0.05	92.16	92.12	1881	25273
Jun	92.22	92.20	-0.03	92.23	92.20	723	19197

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.81	97.82	+0.01	97.84	97.81	3002	24853
Dec	97.78	97.80	+0.02	97.81	97.77	2737	40095
Mar	97.60	97.60	+0.03	97.60	97.58	430	13242
Jun	97.31	97.34	+0.04	97.34	97.31	483	4592

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.45	99.45	+0.01	99.45	99.45	25	n/a
Dec	99.27	99.27	+0.02	99.27	99.27	89	n/a
Mar	99.09	99.09	+0.02	99.09	99.09	115	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.64	95.65	-	95.65	95.64	207	8826
Dec	95.63	95.64	-	95.64	95.63	342	6838
Mar	95.54	95.54	-	95.55	95.54	143	3146
Jun	95.36	95.36	-	95.37	95.35	220	2973

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.64	4.852	2.018	4952	5.441	20.95	497.3	410.5	21.75	3.946	2.091	4.486	3.273	355.9	2.574
Denmark	(DKr)	53.33	10	8.872	2.588	1.076	2641	2.902	11.18	265.2	218.9	11.60	2.105	1.115	2.392	1.745	189.8	1.373
France	(FFr)	60.11	11.27	10	2.916	1.213	2977	3.271	12.60	298.9	246.8	13.07	2.372	1.257	2.696	1.967	214.0	1.547
Germany	(DM)	20.61	3.865	3.429	1	0.416	1021	1.122	4.319	102.5	84.61	4.483	0.813	0.431	0.925	0.675	73.36	0.531
Ireland	(I£)	49.55	9.291	8.244	2.404	1	2454	2.696	10.38	246.4	203.4	10.78	1.955	1.036	2.223	1.622	176.4	1.276
Italy	(L)	2.019	0.379	0.336	0.098	0.041	100.	0.110	0.423	10.04	8.290	0.439	0.080	0.042	0.091	0.066	7.188	0.052
Netherlands	(Fl)	18.38	3.446	3.057	0.892	0.371	910.1	1	3.851	91.39	75.44	3.997	0.725	0.384	0.824	0.601	65.41	0.473
Norway	(NKr)	47.72	8.948	7.939	2.315	0.963	2363	2.597	10	237.3	195.9	10.38	1.883	0.998	2.141	1.562	169.9	1.229
Portugal	(Es)	20.11	3.770	3.345	0.976	0.406	995.8	1.094	4.214	100.	82.55	4.373	0.794	0.421	0.902	0.658	71.57	0.518
Spain	(Pta)	24.36	4.567	4.052	1.182	0.492	1206	1.326	5.104	121.1	100.	5.298	0.961	0.509	1.093	0.797	86.70	0.627
Sweden	(SKr)	45.98	8.621	7.649	2.231	0.928	2277	2.502	9.635	228.7	188.8	10	1.814	0.962	2.063	1.505	163.7	1.184
Switzerland	(SFr)	25.34	4.751	4.216	1.229	0.511	1255	1.379	5.310	126.0	104.0	5.511	1	0.530	1.137	0.829	90.20	0.652
UK	(£)	47.82	8.966	7.955	2.320	0.965	2368	2.602	10.02	237.8	196.3	10.40	1.887	1	2.145	1.565	170.2	1.231
Canada	(C$)	22.29	4.180	3.709	1.082	0.450	1104	1.213	4.671	110.9	91.52	4.848	0.880	0.466	1	0.730	79.35	0.574
US	($)	30.56	5.729	5.083	1.482	0.617	1513	1.663	6.403	151.9	125.4	6.645	1.206	0.639	1.371	1	108.8	0.787
Japan	(Y)	28.10	5.268	4.674	1.363	0.567	1391	1.529	5.887	139.7	115.3	6.110	1.109	0.588	1.260	0.920	100.	0.723
Ecu		38.85	7.284	6.462	1.885	0.784	1924	2.114	8.140	193.2	159.5	8.448	1.533	0.812	1.742	1.271	138.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6742	0.6745	+0.0003	0.6747	0.6734	20,611	89,354
Dec	0.6778	0.6787	+0.0002	0.6787	0.6778	1,586	8,180
Mar	0.6810	0.6835	-	-	-	21	976

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9170	0.9199	+0.0029	0.9208	0.9156	21,100	73,614
Dec	0.9288	0.9319	+0.0026	0.9322	0.9288	6,708	12,052
Mar	-	0.9419	-	-	-	235	412

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8286	0.8288	+0.0001	0.8296	0.8273	13,832	35,625
Dec	0.8351	0.8356	-0.0003	0.8359	0.8344	1,221	3,970
Mar	-	0.8438	-	-	0.8430	8	681

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5658	1.5648	-0.0028	1.5680	1.5648	12,988	58,419
Dec	1.5670	1.5650	-0.0028	1.5674	1.5650	4,297	6,870
Mar	-	1.5678	-	-	1.5660	3	9

UK INTEREST RATES

LONDON MONEY RATES

Sep 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 13/16 - 3	5 13/16 - 5⅝	5¾ - 5⅝	5 13/16 - 5 11/16	5 29/32 - 5 13/16	6 1/16 - 5 15/16
Sterling CDs	-	-	5 21/32 - 5 19/32	5 11/16 - 5⅝	5 13/16 - 5⅝	5⅞ - 5 13/16
Treasury Bills	-	-	5 21/32 - 5 19/32	5 5/32 - 5½	-	-
Bank Bills	-	-	5 21/32 - 5⅝	5 13/16 - 5 5/16	5 13/16 - 5 7/16	-
Local authority deps.	5 11/16 - 5 9/16	5¾ - 5⅝	5¾ - 5⅝	5 25/32 - 5 13/16	5⅞ - 5¾	5 13/16 - 5 13/16
Discount Market deps	6⅛ - 5½	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Aug 30, 5.5148pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.26	-	94.28	94.22	10627	67085
Dec	94.26	94.28	+0.01	94.30	94.25	14018	117000
Mar	94.08	94.06	-	94.09	94.04	7850	81548
Jun	93.70	93.68	-	93.72	93.67	4641	59483
Sep	93.28	93.27	+0.01	93.31	93.27	1930	37241

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.05	0.15	0.16	0.04	0.12	0.35
9450	0	0.05	0.08	0.24	0.27	0.52
9475	0	0.01	0.04	0.49	0.48	0.73

Est. vol. total, Calls 1425 Puts 4055. Previous day's open int., Calls 158973 Puts 150553

EMS EUROPEAN CURRENCY UNIT RATES

Sep 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.024	+0.175	-0.90	2.81	6
Netherlands	2.15214	2.13510	-0.00024	-0.79	2.69	6
Belgium	39.3960	39.2237	-0.0024	-0.44	2.33	3
Portugal	195.792	195.121	+0.13	-0.34	2.23	2
Germany	1.91007	1.90454	-0.00042	-0.29	2.18	3
Austria	13.4383	13.4018	-0.004	-0.27	2.16	2
Ireland	0.792214	0.790399	-0.001096	-0.23	2.11	2
Denmark	7.28580	7.35880	-0.00305	0.97	0.90	-7
France	6.40608	6.52649	+0.00738	1.88	0.00	-16
NON ERM MEMBERS						
Greece	292.867	304.056	-0.033	3.82	-1.87	-
Italy	2106.15	1942.42	+1.18	-7.77	10.47	-
UK	0.786652	0.818761	-0.001638	4.08	-2.12	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.540	2.67	2.81	-	-	0.11	0.43
1.550	1.74	2.04	2.45	-	0.29	0.70
1.560	0.87	1.35	1.82	0.09	0.60	1.06
1.570	0.26	0.81	1.30	0.50	1.06	1.53
1.580	-	0.43	0.88	1.24	1.68	2.12

Previous day's vol., Calls 5,571 Puts 14,109. Prev. day's open int., Calls 158,495 Puts 143,286

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.31	94.31	-	94.32	94.30	111,775	339,627
Dec	93.90	93.90	-0.01	93.93	93.89	190,713	476,158
Mar	93.73	93.72	-	93.74	93.71	139,174	318,476

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.82	94.81	-0.01	94.82	94.81	981	4,811
Dec	94.52	94.50	-0.01	94.52	94.49	882	3,401
Mar	94.34	94.34	+0.02	94.34	94.34	281	1,154

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9675	0.09	0.07	0.09	0.11	0.01	0.06	0.08	0.10
9700	0	0.02	0.02	0.03	0.17	0.26	0.26	0.27
9725	0	0.01	0.01	0.01	0.42	0.50	0.50	0.50

Est. vol. total, Calls 12115 Puts 4706. Previous day's open int., Calls 411161 Puts 361381

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9800	0.01	0.09	0.11	0.19	0.29	0.51
9825	0	0.04	0.04	0.43	0.49	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9518 Puts 5440

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9125	0.13	0.66	0.99	0.04	0.10	0.12
9150	0.02	0.46	0.79	0.18	0.15	0.17
9175	0.01	0.31	0.60	0.42	0.25	0.23

Est. vol. total, Calls 2713 Puts 2225. Previous day's open int., Calls 91192 Puts 41455

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

COMMODITIES AND AGRICULTURE

Nigerian aluminium plant 'on stream early next year'

By Kenneth Gooding, Mining Correspondent

Nigeria's controversial, US$1.5bn aluminium smelter will definitely produce its first metal in the first quarter of next year, seven years after construction began, Mr Peter Waschka, general manager of the Aluminium Smelter Company of Nigeria (Alscon), said yesterday.

The smelter's power plant was now up and running and the first pots or production cells would be started up before the end of March. "By the end of next year we should have some aluminium to sell," he added.

Under the project the smelter was originally envisaged to have the capacity to produce 180,000 tonnes of aluminium a year from two pot lines. However, Mr Waschka said the annual capacity had been increased to 193,000 tonnes.

The smelter was originally intended to start operating in 1992 but funding was particularly difficult after the World Bank objected to the project, which is 70 per cent owned by the Nigerian government. Ferrostaal of Germany, the turnkey contractor, has 20 per cent and Reynolds Metals, the US aluminium group, 10 per cent.

Reynolds has a 10-year agreement to buy 140,000 tonnes a year of the smelter's output at prices linked to those on the London Metal Exchange. Reynolds also has a 10-year contract to co-manage the plant with Eisenbau Essen, a Ferrostaal subsidiary.

Supporters of the project insist that aluminium production is a huge consumer of energy – a smelter of this size consumes as much energy as a town of 500,000 people in an industrialised country – and its power plant will be fueled by surplus gas. They argue that the smelter provides an effective way of turning Nigeria's gas into a product – aluminium – that can be easily exported.

Shell, the international energy group that is supplying gas for the power plant, said in February that it was to build a $300m gas transmission pipeline to supply Alscon. At present the gas is being flared away.

● Alusaf's Hillside smelter, one of the biggest in the world and developed to transform South Africa's surplus coal-based electricity into an exportable product, produced 237,619 tonnes of aluminium in its first year of operation and by June had reached its full annual capacity rate of 490,000 tonnes. Alusaf reports with its preliminary financial results that its Bayside smelter produced 173,960 tonnes in the year to June 30, down from 176,562 in the previous 12 months.

Total Alusaf output in the year to June 30, 1997, is scheduled to reach 665,000 tonnes. Alusaf says that it can expect a significant growth in its earnings (R165m in the year to end-June) at this level of output even if the aluminium price remains relatively modest. It suggests that LME aluminium prices are likely to remain "somewhat subdued but relatively stable." in the coming year.

Asarco chairman says more copper smelting capacity needed

By Kenneth Gooding

Substantial new copper smelting capacity is needed to deal with rising production of concentrate, the intermediate product that is their raw material, according to Mr Richard Osborne, chairman of Asarco, the US group that is the fourth largest private sector copper producer.

Excess smelting capacity that existed two years ago disappeared by the middle of 1995, he said at meetings with analysts. Consequently, spot smelting terms increased from 13.5 US cents a pound to 40 cents.

"It now seems clear that the world's existing [copper] smelter capacity is full and concentrate stocks are growing. Estimates of world copper balance do not reflect this growth in concentrate stocks and substantial new smelter capacity will have to come on stream to balance the market," Mr Osborne said.

"As a result we still see a substantial inventory of excess concentrates at the end of 1997 and therefore remain confident about the outlook for the refined copper market."

According to Asarco's calculations, the present world smelter capacity is 9.476m short tons (of 2,000lb). It sees 343,000 tons of new capacity coming into operation this year to take the total to 9.819m tons. This implies that 311,000 tons of concentrate will be stockpiled for lack of smelting capacity in 1996. Asarco expects 660,000 tons of new capacity to come into operation in 1997 to give total capacity of 10.479m tons. This would still leave a cumulative stock of 185,000 tons of concentrates waiting to be treated at the end of next year.

As for the market for refined copper, Asarco has made slight adjustments to its forecasts and as a result it now expects a modest surplus of refined metal to emerge next year in the western world. In his presentations as recently as May Mr Osborne was still predicting a supply deficit for 1997.

Instead of a deficit of 71,000 short tons, Asarco now expects a surplus of 60,000 tons. However, the group also has revised upwards its predicted deficit for this year, from 20,000 tons to 43,000 tons, mainly because it expects less copper to be exported from China and the former eastern bloc countries.

Mr Osborne said Asarco saw western world copper consumption increasing by 3 per cent this year and by 3.5 per cent in 1997. Mine production was expected to grow by 1.2m tons or by 6 per cent over the two years. He commented: "Our estimates of western world production and consumption are not very different from other copper market analysts. We differ, however, in our estimates of east-west trade and in our analysis of the increasing difficulty of getting new mine concentrates smelted and to market".

LNG project 'puts Trinidad and Tobago on the map'

Canute James on a plant that, at $1bn, is claimed to be the largest single investment in the Caribbean region

Contemplating a list of major investments being made in the country's petrochemicals sector, Mr Finbar Gangar, Trinidad and Tobago's energy industries minister, appears particularly excited by one. "This project has put Trinidad and Tobago on the map of every investor and prospective investor in the world," he exclaims. "Trinidad and Tobago will become the hub of industry in the hemisphere."

The project is a $1bn investment in a liquefied natural gas plant by foreign and local companies. Government officials claim it is the largest single investment in the Caribbean, and it follows increasing foreign business interest in Trinidad and Tobago's gas-based industries.

Using its natural gas, the Caribbean republic of 1.2m people has become one of the world's leading exporters of nitrogenous fertilisers and methanol and is now exporting increasing quantities of natural gas liquids. By the end of this year the country's portfolio of investments in gas-based industries will be worth just over US$3bn, says Mr Gangar. Known gas reserves amount to 14,000m cubic feet and current production of 760m cu ft a day will rise to over 1bn cu ft by 1999 when the LNG plant is commissioned.

Atlantic LNG, which will manage the plant, is owned by Amoco Trinidad, a subsidiary of Amoco Corporation of the US, which has a 34 per cent stake. British Gas Trinidad has 26 per cent, Repsol of Spain 20 per cent and Cabot Trinidad, a subsidiary of the US company, and the National Gas Company of Trinidad and Tobago 10 per cent each.

The plant is being built at Point Fortin in southern Trinidad. Amoco Trinidad will supply the Atlantic LNG's consumption of 450m cubic feet per day of gas under a 20 year contract and the output of 3m tonnes a year of LNG has been sold under a 20-year take or pay contract with Cabot LNG, a subsidiary of the Cabot Corporation, taking 60 per cent and Enagas of Spain taking the remainder. Shipments will begin in mid-1999.

Atlantic LNG has signed a letter of commitment with a lead bank group made up of ABN Amro, Barclays Bank and Citibank to arrange $600m financing for the project.

Expansion of Atlantic LNG is already being considered, says Mr Simon Bonini, general manager of British Gas Trinidad. "The addition of a second train is being discussed, and this would double production to 6m tonnes per year to be sold to other markets."

The LNG project is the latest in the series of major investments in petrochemicals, mainly fertilisers. Some investors have bought into existing facilities, some of which have been divested by the government, while others are building new plants. Trinidad and Tobago's fertiliser production of 2.63m tonnes last year was 15 per cent higher than 1993. The new ventures that have already been committed will lift fertiliser capacity to 4.5m tonnes a year.

'We have moved from an oil-based to a natural gas-based economy'

Investors have been attracted to Trinidad and Tobago mainly by the availability of energy, but also by the investment climate, says Ms Mary Moore, vice president for legal and corporate affairs of Atlantic LNG. "The fiscal incentives in Trinidad and Tobago are no more generous than those offered by other countries," she said. "The attraction for business is that this has been combined with a well developed resource base."

Among the companies investing in fertilisers and methanol are Norsk Hydro of Norway, Ferrostaal and Helm of Germany, Methanex of Canada and Farmland, Arcadian and Mississippi Chemical of the US. The government is negotiating with prospective investors for an expansion of steel production and the construction of an aluminium smelter.

"With declining oil reserves and expanding gas reserves we have moved from an oil-based to a natural gas-based economy," says Mr Gangar. "We plan the optimal use of these gas resources. Geographically, our location is ideally suited as we are close to the US, South America, and with good routes to Europe."

The LNG plant is being constructed by Bechtel of the US, and will provide 2,000 jobs during construction. Improvements to an existing harbour, which will take the LNG carriers, and the development of offshore gas fields with pipelines to the shore and then to the plant will add another $500m to investments to the project.

The investment was being considered before Trinidad and Tobago's government changed after an election ten months ago. A few weeks of uncertainty was followed by quick agreement by the new government. There has been a seamless transition, with little change to the country's policy towards investments in gas-based industries, say the country's business leaders.

There have been some hitches in the past in Trinidad and Tobago's efforts to exploit its gas. Steel exports to the US were affected 15 years ago by complaints by US producers that the Trinidadian product benefitted unfairly from cheap gas. "There will be no repetition of this with the LNG," says Mr Gangar. "We have abundant natural gas reserves and a favourable gas pricing policy. It is not cheap natural gas but prices are reasonable and competitive."

Trinidad and Tobago Natural Gas Production (Million cubic feet a day)

1999*	1,200
1996	750
1995	650
1994	570
1993	500
1992	505
1991	495
1990	440
1989	420
1988	415
1987	385
1986	360
1985	340
1984	340

*Projected
Source: National Gas Company of Trinidad and Tobago

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1474-75	1509-10
Previous	1471.5-72.5	1506.5-07
High/low	1470.5/1470	1510/1503
AM Official	1470.5-71	1504.5-05
Kerb close		1508.5-09
Open int.	210,682	
Total daily turnover	55,076	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1258-63	1292-97
Previous	1263-68	1298-300
High/low	1255	1293/1287
AM Official	1253-55	1287-89
Kerb close		1292-97
Open int.	5,112	
Total daily turnover	1,023	

■ LEAD ($ per tonne)

Close	821-2	815.5-6
Previous	823.5-24.5	818-19
High/low	821	821/814
AM Official	820-1	814-5
Kerb close		815-6
Open int.	33,746	
Total daily turnover	79,787	

■ NICKEL ($ per tonne)

Close	7490-500	7590-600
Previous	7430-40	7530-40
High/low	7500/7425	7630/7490
AM Offical	7424-25	7525-26
Kerb close		7550-55
Open int.	37,141	
Total daily turnover	11,305	

■ TIN ($ per tonne)

Close	6205-15	6260-65
Previous	6195-205	6250-55
High/low		6260/6245
AM Official	6185-90	6240-45
Kerb close		6250-60
Open int.	14,386	
Total daily turnover	4,781	

■ ZINC, special high grade ($ per tonne)

Close	1013.5-14.5	1040-40.5
Previous	1008-09	1034-35
High/low	1008.5	1041/1034
AM Official	1008.5-09	1034.5-35
Kerb close		1038-39
Open int.	64,345	
Total daily turnover	17,263	

■ COPPER, grade A ($ per tonne)

Close	2051-53	2030-32
Previous	2053-55	2129-30
High/low	2020	2070/1990
AM Official	2010-15	1995-96
Kerb close		2020-21
Open int.	199,203	
Total daily turnover	83,594	

■ LME AM Official £/$ rate: 1.5658
LME Closing £/$ rate: 1.5660

Spot: 1.5672 3 mths: 1.5669 6 mths: 1.5663 9 mths: 1.5659

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	95.15	-1.50	96.65	93.60	1,598	6,227
Oct	95.10	-1.15	95.10	94.10	243	1,895
Nov	94.80	-1.35	96.00	93.50	42	1,457
Dec	94.40	-1.45	96.10	92.80	6,059	24,699
Jan	93.70	-1.40	93.60	93.60	13	1,013
Feb	93.10	-1.35	-	-	88	796
Total					8,751	54,914

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.70-386.10		
Opening	386.30-386.70		
Morning fix	385.95	246.24	465.73
Afternoon fix	385.60	246.39	465.57
Day's High	386.30-386.70		
Day's Low	387.50-387.90		
Previous close	386.70-387.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.40 6 months 4.09
2 months ....4.39 12 months 4.14
3 months 4.35

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.00	515.25
3 months	333.20	521.70
6 months	337.00	528.20
1 year	345.35	542.30

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	246-248
Maple Leaf	392.20-394.70	
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	385.4	-0.7	-	-	3	4
Oct	386.9	-0.8	387.7	386.3	714	10,117
Dec	389.7	-0.8	391.0	389.4	18,629	76,290
Feb	392.3	-0.8	393.0	392.0	347	12,885
Apr	394.8	-0.9	395.1	394.9	290	6,064
Jun	397.5	-0.9	398.0	397.6	799	11,194
Total					21,842	182,775

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	397.2	-1.5	398.0	396.7	1,439	17,766
Jan	399.7	-1.4	401.0	399.0	169	3,939
Apr	402.1	-1.4	403.0	401.7	5	3,898
Jul	404.9	-1.4	-	-	-	272
Oct	408.4	-1.4	-	-	2	6
Total					1,615	25,881

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	125.00	-0.90	125.00	124.95	1,138	1,073
Dec	126.50	-0.50	127.25	126.10	1,507	7,463
Mar	127.40	-0.50	-	-	2	185
Jun	128.45	-0.50	-	-	-	109
Total					2,847	8,830

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	515.3	+2.3	516.0	512.0	340	1,753
Oct	517.7	+2.2	-	-	3	3
Dec	523.0	+2.2	525.0	519.5	9,587	61,731
Jan	526.1	+2.2	-	-	1	24
Mar	531.2	+2.2	532.0	528.0	87	9,953
May	536.4	+2.2	-	-	503	5,834
Total					10,015	88,829

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	23.48	+0.08	23.65	23.08	52,620	79,307
Nov	22.75	+0.09	22.90	22.36	21,085	41,948
Dec	22.17	+0.12	22.28	21.75	15,363	49,872
Jan	21.67	+0.14	21.70	21.40	6,219	31,233
Feb	21.20	+0.14	21.20	20.95	2,367	23,785
Mar	20.67	+0.06	20.70	20.50	1,773	14,339
Total					108,878	374,082

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	22.14	-0.07	22.27	21.65	17,023	60,309
Nov	21.44	+0.06	21.55	21.05	10,726	34,962
Dec	20.93	+0.15	20.93	20.50	4,243	23,907
Jan	20.26	+0.05	20.35	20.00	3,113	15,125
Feb	19.76	+0.07	19.77	19.55	544	8,199
Mar	19.31	+0.07	19.31	19.05	895	7,424
Total					37,248	162,569

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	65.20	+0.13	65.65	64.55	17,138	40,083
Nov	65.25	+0.22	65.30	64.60	4,620	16,149
Dec	65.00	+0.05	65.20	64.40	6,134	25,553
Jan	64.10	+0.10	64.30	63.50	2,895	14,845
Feb	62.25	+0.20	62.45	61.60	1,256	8,149
Mar	59.50	+0.30	59.50	59.10	720	4,646
Total					34,084	125,087

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	207.50	+3.00	208.75	202.00	6,540	18,071
Oct	202.00	+1.00	203.75	197.75	6,510	16,331
Nov	198.75	+1.50	199.00	196.50	1,092	11,116
Dec	195.00	+1.25	195.50	192.00	2,700	16,179
Jan	190.25	+0.50	190.50	189.25	129	6,558
Feb	185.00	+0.50	185.00	184.00	100	1,515
Total					17,707	80,031

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.790	-0.031	1.835	1.775	8,614	32,855
Nov	1.955	-0.024	1.995	1.940	2,680	15,851
Dec	2.115	-0.017	2.145	2.102	1,774	16,967
Jan	2.180	-0.020	2.210	2.165	985	13,867
Feb	2.120	-0.030	2.145	2.100	441	7,738
Mar	2.030	-0.045	2.078	2.025	348	6,044
Total					16,597	130,946

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	63.00	+0.04	63.50	62.40	11,564	27,233
Nov	61.70	+0.22	62.05	61.10	3,434	8,747
Dec	60.70	+0.37	60.80	60.00	1,509	5,083
Jan	59.80	+0.42	59.95	59.50	339	4,980
Feb	59.00	+0.32	59.00	58.80	120	1,521
Mar	59.30	+0.29	59.30	58.90	35	929
Total					17,232	53,891

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	106.00	-0.75	106.50	106.50	10	173
Nov	107.90	-0.55	108.50	107.90	328	2,949
Jan	109.75	-0.70	110.45	109.75	227	1,845
Mar	111.65	-0.65	112.30	111.65	46	1,094
May	113.65	-0.65	114.30	113.65	36	791
Jul	115.50	-0.25	115.50	115.25	13	104
Total					661	6,956

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	449.00	-3.50	453.50	447.00	2,513	8,281
Dec	447.25	-5.00	451.50	446.00	12,177	42,034
Mar	443.00	-4.50	447.00	442.00	2,002	10,007
May	422.50	-5.00	426.00	422.50	42	551
Jul	393.50	-4.25	396.00	393.00	304	3,830
Sep	395.00	-5.00	-	-	-	42
Total					17,048	62,873

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	358.75	-8.00	366.00	358.25	7,306	20,718
Dec	333.50	-8.00	339.50	333.00	29,837	187,982
Mar	341.25	-7.50	347.50	341.00	4,875	42,620
May	347.50	-7.25	352.00	347.25	2,066	15,326
Jul	347.75	-6.50	352.00	347.75	805	11,998
Sep	315.75	-3.25	316.00	315.50	56	1,396
Total					45,095	289,562

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	99.65	-0.25	-	-	-	54
Nov	102.15	-0.45	102.50	102.25	19	950
Jan	104.60	-0.50	105.25	104.60	70	510
Mar	106.50	-0.40	-	-	-	157
May	108.50	-0.15	-	-	-	80
Total					89	1,751

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	797.75	-13.25	806.00	797.50	2,948	6,107
Nov	780.25	-15.25	792.00	779.50	35,201	126,475
Jan	788.00	-14.50	801.75	787.50	3,154	22,454
Mar	794.50	-12.75	804.75	794.00	1,043	13,174
May	795.75	-10.75	803.00	795.00	1,201	12,064
Jul	795.50	-11.00	804.00	795.00	680	6,705
Total					44,487	192,881

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.05	-0.33	25.38	25.00	5,661	4,195
Oct	25.21	-0.33	25.48	25.13	6,953	14,644
Dec	25.60	-0.38	25.90	25.55	8,818	40,195
Jan	25.83	-0.41	26.15	25.83	1,226	7,301
Mar	26.20	-0.40	26.50	26.20	789	6,642
May	26.52	-0.41	26.78	26.50	446	4,190
Total					23,963	78,871

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	262.8	-4.8	266.5	261.6	6,980	13,701
Oct	252.5	-4.7	257.1	252.0	5,708	16,958
Dec	247.7	-5.2	251.4	247.5	8,520	37,870
Jan	247.1	-4.4	250.0	246.8	505	7,218
Mar	245.5	-3.8	248.2	245.0	569	6,885
May	242.0	-3.6	244.8	242.0	939	5,045
Total					23,656	86,016

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	72.5	-	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	72.4	+0.6	73.0	69.5	121	1,050
May	85.0	-	-	-	-	15
Jun	85.0	-	-	-	-	-
Total					121	1,065

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1111	+1	1110	1105	86	836
Oct	1213	-22	1220	1210	337	1,486
Nov	1248	+3	1251	1240	29	49
Jan	1262	-3	1270	1267	102	806
Apr	1272	-3	-	-	-	241
Jul	1135	-	-	-	-	27
Total					554	3,595

	Close	Prev
BFI	1079	1085

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop sold out; 1996 crop indicated at 3,050 CFR/FOT MEP for October/November shipment. US almonds (shelled): new crop estimate was wrong by 15-20%; 23/25 NPSSR up slightly at 5,600 FAS California, shipment September-October; 18/20 NPSSR almost sold out - European manufacturers have been pressing in vain for price cuts. US walnuts: new crop affected by heat; price forecast (in-shell) 2,205 FAS California. Turkish hazelnuts, standard No 1 – prices still unclear. Indian cashews raw: W-320, 5,750 spot Europe – quiet. Turkish apricots No 1 2,900 FOB MEP, supplies short. Israeli sunflower seed: 2,100 CFR MEP, availability tight.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	951	+23	946	932	160	7,761
Dec	975	+17	976	958	2,472	37,881
Mar	997	+16	999	981	2,869	41,982
May	1011	+13	1011	998	436	21,804
Jul	1026	+11	1024	1016	214	11,587
Sep	1040	+1	-	-	250	3,800
Total					7,861	146,527

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1329	+37	1325	1300	71	175
Dec	1362	+26	1369	1336	7,825	33,607
Mar	1394	+21	1401	1375	1,640	17,555
May	1415	+25	1416	1400	225	8,045
Jul	1435	+29	1435	1421	2	5,976
Sep	1454	+28	-	-	60	5,486
Total					9,866	79,684

■ COCOA (ICCO) (SDR's/tonne)

Sep 3	Price	Prev. day
Daily	998.41	1000.86

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1608	-7	1615	1595	399	3,189
Nov	1564	-1	1578	1550	3,181	14,765
Jan	1529	-3	1538	1510	441	5,128
Mar	1495	-3	1506	1483	348	3,585
May	1474	-19	1490	1467	95	570
Jul	1458	-24	1470	1460	6	169
Total					4,478	27,406

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	124.20	-0.85	125.75	123.00	279	1,116
Dec	112.80	-0.50	114.00	111.30	7,605	18,951
Mar	108.00	-0.75	109.00	107.25	1,046	5,503
May	108.05	-0.70	108.50	107.25	84	1,765
Jul	107.50	-0.75	-	-	4	501
Sep	107.50	-0.75	-	-	6	165
Total					9,044	28,177

■ COFFEE (ICO) (US cents/pound)

Sep 3		Prev. day
Comp. daily	100.88	n/c
15 day average	104.57	n/c

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	350.8	-1.8	353.0	350.0	1,346	8,714
Dec	347.4	-1.8	349.0	347.1	577	5,695
Mar	343.9	-2.4	345.0	343.7	177	8,077
May	341.3	-0.8	342.5	340.7	95	3,226
Aug	339.3	-1.4	339.1	339.0	13	1,105
Oct	327.3	-1.9	328.0	327.5	23	1,058
Total					2,241	28,091

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	12.12	-0.06	12.15	12.02	23,719	72,993
Mar	11.64	-0.07	11.68	11.61	13,933	51,784
May	11.36	-0.04	11.39	11.34	2,874	18,263
Jul	11.02	-0.03	11.05	11.00	1,464	13,807
Oct	10.83	-0.03	10.87	10.83	514	8,262
Mar	10.61	-0.03	-	-	65	1,020
Total					42,589	166,168

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.91	-1.49	77.00	74.50	594	8,260
Dec	75.62	-1.63	77.75	75.47	4,879	29,817
Mar	76.63	-1.52	78.90	76.75	438	8,491
May	77.55	-1.50	79.40	77.50	143	6,142
Jul	78.15	-1.50	80.00	78.40	58	4,554
Oct	77.20	-1.25	-	-	4	980
Total					6,186	59,759

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	114.60	-2.05	116.80	114.20	716	989
Nov	105.20	-1.90	109.25	104.50	2,613	9,448
Jan	106.45	-1.95	110.25	105.90	499	5,201
Mar	108.25	-1.40	111.00	108.00	157	1,527
May	110.25	-0.25	112.25	109.50	10	395
Jul	112.05	-0.55	-	-	-	194
Total					3,995	18,078

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 4	Sep 3	month ago	year ago
1953.9	1962.0	1934.9	2210.9

■ CRB Futures (Base: 1967=100)

Sep 3	Sep 2	month ago	year ago
248.98	n/a	-	-

■ GSCI Spot (Base: 1970=100)

Sep 3	Sep 2	month ago	year ago
201.11	198.52	198.04	181.58

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	71.725	-	72.050	71.575	7,650	41,859
Dec	67.750	-	68.225	67.625	2,417	25,120
Feb	65.525	+0.025	65.800	65.250	574	15,179
Apr	66.900	-0.05	67.150	66.850	553	5,227
Jun	65.050	+0.1	65.200	64.850	292	2,773
Aug	65.050	-	65.300	65.925	74	2,869
Total					11,588	92,833

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	52.650	+0.225	52.725	51.975	2,473	12,414
Dec	53.825	+0.275	53.850	53.100	2,049	11,064
Feb	75.050	+0.525	75.100	74.250	454	3,929
Apr	72.500	+0.425	72.600	72.050	131	1,639
Jun	77.400	+0.075	77.500	77.075	72	1,503
Jul	75.400	+0.525	75.400	74.500	19	311
Total					5,205	31,104

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	75.850	-1.2	77.250	75.500	2,403	4,874
Mar	76.025	-1.025	77.350	75.800	298	962
May	77.025	-0.975	78.050	76.700	179	303
Jul	77.500	-0.7	77.700	77.200	18	81
Aug	76.700	-	-	76.250	3	21
Total					2,901	6,281

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	93	139	3	15
1500	21	72	29	46
1600	3	31	109	103
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1900	163	175	21	68
2000	95	121	52	112
2100	49	80	105	169
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	58	80	94	151
1650	42	65	128	186
1700	29	53	165	224
■ COCOA LCE	Dec	Mar	Dec	Mar
975	44	63	44	41
1000	34	51	59	54
1025	26	41	76	69
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
2150	-	86	14	98
2200	40	67	31	-
2250	18	55	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.84-9.96	+0.345
Brent Blend (dated)	$22.20-2.22	+0.265
Brent Blend (Oct)	$22.15-2.17‡	+0.385
W.T.I.	$23.48-3.50x	+0.465

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$228-230	
Gas Oil	$208-209	+2
Heavy Fuel Oil	$106-108	+2
Naphtha	$202-205	+0.5
Jet fuel	$240-242	+3
Diesel	$211-212	+3

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	14.25-14.40	+0.125

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

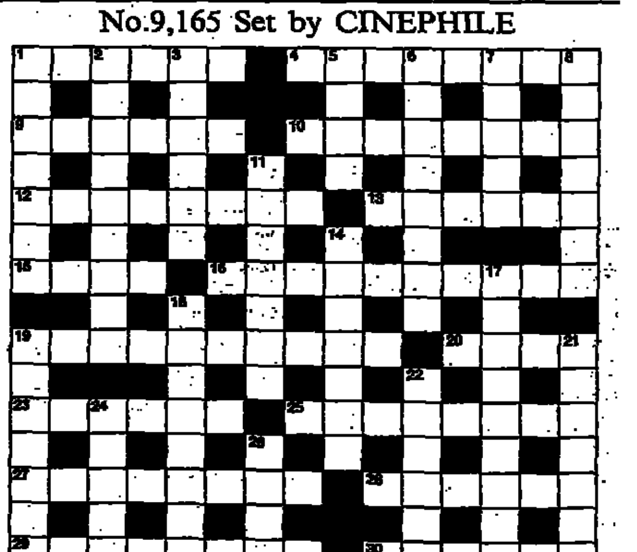
Gold (per troy oz)♣	$385.90	-1.05
Silver (per troy oz)♣	516.50c	+0.50
Platinum (per troy oz.)	$394.50	-0.75
Palladium (per troy oz.)	$125.25	
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.13r	-0.04
Tin (New York)	289.50	-1.00
Cattle (live weight)	94.04p	+0.01*
Sheep (live weight)	123.19p	+9.78*
Pigs (live weight)†	109.66p	+2.71*
Lon. day sugar (raw)	$313.30	+6.20
Lon. day sugar (wte)	$366.50	+0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	89.00p	+1.00
Rubber (Nov)♥	88.00p	+1.00
Rubber (KL RSS No1)	332.50m	-1.00
Coconut Oil (Phil)§	$750.0z	
Palm Oil (Malay.)§	$570.0v	-2.5
Copra (Phil)§	$475.0z	
Soyabeans (US)	227.0	
Cotton Outlook'A' index	78.55	+0.40
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,265 head of pigs sold. ‡ Corrected Brent Oct for Sep 3rd 21.75-1.80 -0.215

JOTTER PAD

CROSSWORD

No.9,165 Set by CINEPHILE



KI has the same meaning wherever it occurs in the clues

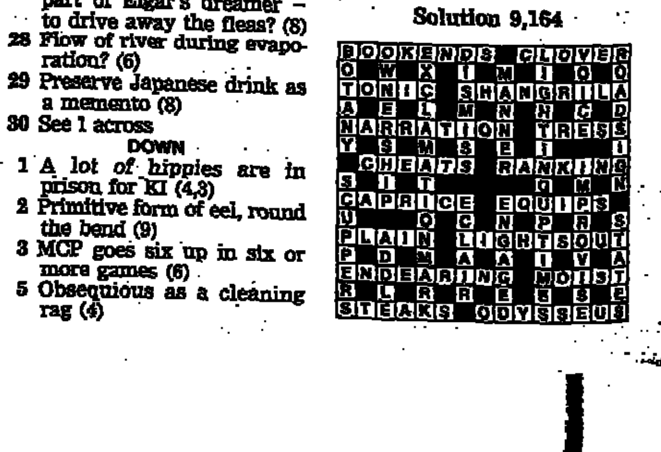
ACROSS

1, 30 KI makes important person sound more important (6-6)
4 Birds of prey depart with playwright to King's (8)
9 Climbing tool helped to give Boadicea xenophobia (3,3)
10 KI, terra firma among swimmers (4,4)
12, 13 KI engineer's certain to get company in a gambling game (8,6)
15, 20 Observe hindrances for brief communications (8)
16 KI distracted panel with boots (10)
19 KI, personal number that's regularly updated? (7,3)
20 See 15
23 Two states with information about end of fight (6)
25 Jealous look of monster or sucker? (5,3)
27 Queen Elizabeth I takes part of Elgar's dreamer – to drive away the fleas? (8)
28 Flow of river during evaporation? (6)
29 Preserve Japanese drink as a memento (8)
30 See 1 across

DOWN

1 A lot of hippies are in prison for KI (4,3)
2 Primitive form of eel, round the bend (9)
3 MCP goes six up in six or more games (6)
5 Obsequious as a cleaning rag (4)
6 Female residence? Male no use (including husband) (3-5)
7 KI, Scotch, not finished (5)
8 Has turned up first and went at speed – of the desert (7)
11 Set in order an old KI, by the sound of it (7)
14 Israel upset about group leader in African capital (7)
17 Use too much effort to put the River Exe in the clear (9)
18 Deprive of hair, causing pain (8)
19 Surely not the type a communist would have a cuddle with? (7)
21 Ship's KI (7)
22 KI assisting the hunt (6)
24 KI for something to say quickly .... (5)
26 .... and one for monarch to divide (4)

Solution 9,164



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

Fund	Selling Price	+ or -	Yield Grs
A$ Accum	A$19.002	+0.009	6.00
ASch Accum	Sch248.30	+0.04	2.10
C$ Accum	C$18.833	+0.005	3.20
DM Accum	DM38.239	+0.006	2.00
DFl Accum	Dfl31.595	+0.004	1.90
ECU Accum	Ecu13.444	+0.003	3.20
FFr Accum	FFr88.832	+0.014	2.80
HK$ Accum	HK$120.86	+0.04	4.30
Lira Accum	L28402	+15	7.90
NZ$ Accum	NZ$39.492	+0.029	8.60
NKr Accum	NKr112.05	+0.03	3.40
S$ Accum	S$25.989	+0.006	2.40
SPta Accum	Pta2715.9	+1.4	6.40
£ Accum	£13.066	+0.005	4.70
SKr Accum	SKr120.55	+0.03	4.10
SFr Accum	SFr25.249	+0.003	0.60
US$ Accum	$23.395	+0.006	4.40
Yen Accum	Y2660.1	—	0.10

Prices for dealing September 04

Jupiter Tyndall (Bermuda) Ltd

Lloyds Int'l Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 01481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722653

Prudential Fund Managers (Guernsey) Ltd
Po Box 81, St Peter Port Guernsey 01481 700000
Prudential Money Funds Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 7197423

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 457 2000
Murray Global Accumulation Fund Plc

Fund		Price	+ or -	Yield
Murray Financials Bond	2	103.18	-0.04	5.95

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 798 2400

Old Mutual International Fd Mngrs Ltd (x)

Baring Mutual (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Ivory Growth Fund	£23.46	23.70	—	1.73
Lowes Aggressive Portfolio	£10.45	11.00	—	-
Lowes Defensive Pfolio	£12.02	12.63	—	-
Lowes Collective Pfolio Ltd	£11.18	11.75	—	-

TSB Fund Managers (CI) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Inland Pension	723.4	761.5	+2.8	-
Inland Equity Acc	127.3	134.0	+0.5	-

WorldInvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$259.87	295.96	—	5.75
Escalle Global Eqty $ *	$77.30	77.75	—	-
Equity Stg Global Fund Inc*	£11.75	11.82	—	4.92

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 424948520

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity			$47.54	48.25	—	-
North America Equity			$73.57	73.94	—	-
Asian Tigers Equity			$59.59	60.19	—	-

Fidelity Funds (u)

Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250404230

Major Market Funds

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
America			$2.187		-0.008	-
Pacific			$8.698		-0.008	-
South East Asia			$2.885		-0.024	-

Country Select Funds

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN			$20.79		-0.20	-
Asian Special Situations			$10.53		-0.11	-
Switzerland			SFr14.44		-0.09	-
Thailand			$32.59		-0.48	-
United Kingdom			£1.138		-0.004	-

Bond Funds

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European			Ecu10.80		—	5.92
Yen			Y1535		—	2.99

Balanced

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Balanced			DM11.78		-0.05	1.92

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	+3	[illegible]	418	[illegible]	6.3	17.7
[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	2.8	19.5
[illegible]	[illegible]	[illegible]	—	[illegible]	98	[illegible]	6.3	[illegible]
[illegible]		775	—	775	600	[illegible]	1.9	19.9
Grand Met	[illegible]	[illegible]	[illegible]	[illegible]	417	[illegible]	4.7	19.9
Guinness	[illegible]	471	+5	[illegible]	435	[illegible]	4.0	15.4
Highland	[illegible]	[illegible]	+2	[illegible]	315	[illegible]	2.9	16.2
[illegible] Cnv Bds		181		[illegible]	101	-	-	-
Kirin Y		[illegible]	[illegible]	[illegible]	621	7,205	0.9	37.8
Macallan-Glen	[illegible]	167	—	217	150	[illegible]	1.2	[illegible]
Matthew Clark	[illegible]	[illegible]	[illegible]	[illegible]	580	[illegible]	4.4	32.1
Merrydown	[illegible]	[illegible]	[illegible]	141	93	12.6	4.8	10.6
Seagram $		[illegible]	[illegible]	[illegible]	[illegible]	5,748	1.3	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barclays Bnc Cn 2nd Pf		[illegible]	—	[illegible]	[illegible]	[illegible]	10.5	-
Cater Allen	[illegible]	[illegible]	—	515	[illegible]	130.1	9.0	12.4
Close Bros	[illegible]	[illegible]	—	[illegible]	[illegible]	418.7	3.3	15.3
Gerrard & Natl	[illegible]	[illegible]	—	472	[illegible]	[illegible]	8.6	10.6
Hambros		[illegible]	+2	[illegible]	180	[illegible]	3.6	-
7½pc Cv Pf		[illegible]	—	119	[illegible]	141.7	9.5	-
King & Shaxson	[illegible]	[illegible]	—	177	[illegible]	44.0	6.8	14.5
Leopold J	[illegible]	[illegible]	—	[illegible]	[illegible]	24.0	5.4	16.4
Rea Brothers	[illegible]	[illegible]	+3	[illegible]	44	[illegible]	2.4	20.8
Schroders	[illegible]	[illegible]	[illegible]	[illegible]	1185	2,208	1.4	20.3
NV		[illegible]	[illegible]	1158	[illegible]	[illegible]	1.3	15.8
Singer & Fried	[illegible]	128	+1	[illegible]	[illegible]	[illegible]	4.2	9.3
8½pc Cv Ln 08/14		[illegible]	[illegible]	[illegible]	[illegible]	49.5	5.7	-
Union	[illegible]	[illegible]	+2	121	[illegible]	27.3	3.8	11.1
Wintrust		[illegible]	-1	360	[illegible]	[illegible]	4.5	17.5

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£222½xd	—	£241½	£221½	1,683	3.4	Φ
Barlow	‡†	652	—	1010	655	1,156	2.3	–
Gold Flds Prop R		137xd	—	170	120	34.0	8.2	10.7
NK Props		80	—	85	75	3.22	11.4	–
SAGOL	♥	645	—	710	475	3,777	1.7	–
SA Brews		£16½	—	£20¼	£16¼	4,859	2.2	Φ
Standard Bank		£24¼	-⅛	£32¼	£21¼	2,087	1.8	20.5
Tiger Oats	†	790	—	1270	770	1,166	2.1	16.2
Tongaat-Hulett		790xd	—	1247	736	747.8	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumes dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes special payment
t Forecast annualised dividend cover based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1995-96.
M Yield based on prospectus or other official estimates for 1995-96.
Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xℓ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

MARKET REPORT

Real and rumoured bid stories lift equities

By Steve Thompson,
UK Stock Market Editor

London's equity market went some way to regaining its confidence yesterday, putting on a show of good gains across the board, although closing well off the day's best levels.

The impressive performance came in the wake of Wall Street's remarkable turnaround overnight, when the Dow Jones Industrial Average, after sliding over 50 points, rallied strongly to close 32 points higher on balance.

There was also an injection of confidence into global bond markets by the performance of US Treasuries, although both the Dow and bonds were looking uneasy during early trading yesterday afternoon.

UK stocks, along with other big European markets, had been jolted by news of the US attacks on Iraqi installations and by fears that the US Federal Reserve *is preparing a 50 basis points rise* in US interest rates.

The FT-SE finished the day 16.8 higher at 3,872.7, while the FT-SE Mid 250 index moved up 20.6 to 4,406.0.

Dealers in London refused to get carried away by the market's good recovery; "It would be foolish to chase this market too hard with the US August non-farm payroll report just around the corner and the very likely prospect of a rise in US rates pretty soon after," said one trader. Other dealers said London was looking increasingly vulnerable according to chartists.

London was also bracing itself *for news from the regular* monthly monetary policy meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, held yesterday afternoon.

The market was given a substantial shot in the arm at the outset with news of the £260m-plus agreed bid for Nurdin & Peacock, the food cash and carry retailer from Booker, the food distribution group.

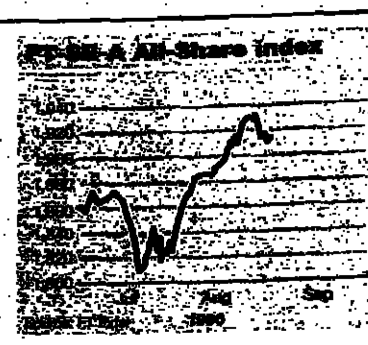
Helping fuel the initial upward move in prices was a clutch of good trading reports, notably from Cadbury Schweppes and BBA Group as well as the *customary buzz of takeover stories.*

There were plenty of casualties in the market, however. The media/broadcasting sectors were given a shaking first thing by a report suggesting that the Labour Party may be considering a specific tax on the television companies and that any such tax might encompass the cellular phone companies, such as Vodafone and Orange. The latter fell even more sharply during the late afternoon as one of the London market's most influential brokers, NatWest Securities, downgraded the stock.

Schroders, the merchant bank, attracted a flurry of support *throughout the day, on a mixture* of vague takeover talk and an expectations of good interim results tomorrow.

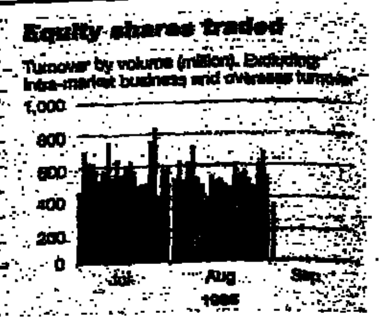
Turnover was a disappointing 610m shares. The value of retail business on Tuesday came out at £1.9bn, double Monday's figure which was affected by the closure of US markets.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3872.7	+16.8
FT-SE Mid 250	4406.0	+20.6
FT-SE-A 350	1939.4	+8.5
FT-SE-A All-Share	1917.11	+8.22
FT-SE-A All-Share yield	*3.85*	3.86
FT Ordinary Index	2796.0	+9.3
FT-SE-A Non Fins p/e	17.37	17.32
FT-SE 100 Fut Sep	3886.0	+16.0
10 yr Gilt yield	7.91	7.91
Long gilt/equity yld ratio	2.14	2.15

Best performing sectors

1 Banks: Merchant ... +4.4
2 Life Assurance ... +1.3
3 Textiles & Apparel ... +1.3
4 Food Producers ... +1.1
5 Engineering ... +1.1

Worst performing sectors

1 Retailers: Food ... −2.0
2 Telecommunications ... −1.1
3 Oil Exploration ... −0.5
4 Utilities ... −0.3
5 Electronic & Elec ... 0.0

Vodafone under pressure

By Joel Kibazo
and Lisa Wood

Cellular phones group Vodafone walked away with the dubious honour of the *day's worst performer* in the Footsie, following a broker downgrade and reduction in profits estimates.

The shares lost more than 6 per cent of their value after falling 15¼ to 223½p, following turnover of 15m, the heaviest in a single trading session since mid-July. NatWest Securities moved its recommendation from "add" to "hold" and said: "In the short term, a *period of* underperformance looks likely due to an uncertain *UK outlook* and mixed *international news flow.*"

The securities house has also reduced its growth expectations in the UK and thus moved to downgrade profit expectations for the group for the next few years.

It made a more modest adjustment for the current year, lowering its profits estimate by £20m to £495m, while it reduced its forecast for the following year by £60m to a new estimate of £570m.

It was a mixed picture in the rest of the sector. The negative sentiment in Vodafone also weakened Orange. The shares eased 8¼ to 190¼p. Two way business in BT left the stock a penny lighter at 374½p while Cable *& Wireless had a better day* closing 1¼ ahead at 426½p.

Tesco's firing of the first shots in what could be a renewed price war in the highly competitive food retailing sector resulted in it, along with its main competitors, Asda, Safeway and J. Sainsbury making up four *of the worst six performers* on the FT-SE 100.

Asda, which is Tesco's main target when it launches its cost-cutting campaign *next* Monday, fell 4 to 106¼p on a turnover of 16m shares while Safeway fell 9¼ to 323p. J Sainsbury, which is introducing its own autumn value campaign, fell 6¼ to 378p while Tesco softened 9 to 291p.

Analysts said that the important issue was how Tesco's competitors responded. *One said that* he believed that Tesco, which has been planning such a *move since June, had got* a war chest for the campaign and that it may not result in forecasts for the group being changed.

Booker's £264m agreed bid for Nurdin & Peacock was not unexpected, and it was well received by the market which had feared that it might make a rights issue to pay for the acquisition, or pay too much for the cash-and-carry business. Booker added 24 to 384p while Nurdin & Peacock climbed 68½ to 200½p.

Mr Carl Short of SGST said it was a "sensible deal at a sensible price". The deal should be earnings enhancing but analysts are holding *off from altering forecasts* until the Office of Fair Trad*ing announces whether the* bid should be referred to the Monopolies and Mergers Commission. Analysts believe this risk to be small.

Cadbury Schweppes advanced 8 to 520½p following results in line with expectations. Tate & Lyle recovered 9 to 461½p with the company currently meeting with analysts.

Enthusiasm in the market *about the new chairman of* Unilever helped lift the stock 17 to 1308½p.

Aero engine manufacturer Rolls-Royce, in the spotlight owing to the current Farnborough Air show, gained 6½ to 230p, as it announced another order.

The group said its Allison Engine Company has received an order for 25 EMB-145s from Continental *Express with an option to* purchase 175 additional aircraft. The company said the *order could* be worth up to $650m.

Shares in engineering group BBA Group, which earlier this year abandoned plans to bid for Lucas Industries, jumped 11 to 334p, in trade of 3.1m after it reported figures at the top end of market expectations.

First half profits jumped 19 per cent to £72.1m while the interim dividend was *raised by 17 per cent to 2.1p.*

Former target Lucas had a busy session in which 12m was traded. The shares hardened 3 to 236p, helped by a report that the group is embarking on £115m cost-cutting programme.

Among transport stocks, British Airways jumped 9 to 521p, after reporting a 5.7 per cent year on year increase in August passenger traffic.

The recent upsurge in oil shares stalled as profit-takers moved in. BP slipped 4½ to 624p on *turnover* of 4.9m, Enterprise Oil dipped 3¾ to 520p and Lasmo 2 to 196p.

Shell, however, put on another powerful performance, responding to a persistent and sizeable buyer in the market, with the shares moving 9¼ to 958p and seen by some as about to threaten its all-time high.

Media reports that the Labour Party is actively con*sidering introducing a "spectrum tax"* on all broadcasters adversely affected a number of broadcasters including Yorkshire Tyne-Tees TV, which fell 32½ to 1177½p and Scottish TV which fell 6½ to 696p. BSkyB had been an early morning casualty of the report but it recovered, falling only half a penny to 570p.

United News & Media *slipped* 7¾ to 697½p in the *wake* of the shake up of its Express newspapers.

News that BTR had sold Tilcon to CRH, the building materials group, resulted in BTR rising 1½ to 255½p. CRH, which announced better-than-expected interim results was unchanged at 625p.

Redland added 10 to 448½p and RMC climbed 17½ to 1107½p mirroring strong performances from leading German building stocks which reflected optimism about third quarter building output.

A shortage of stock in merchant banking group Schroders saw the group's shares soar to the top of the Footsie best performers list. They jumped 95 to 1485p in thin trading.

The group reports interim figures tomorrow and BZW is predicting a 43 per cent jump in profits to around the £122m mark.

In the rest of the financials, Standard Chartered was in demand with BZW said to be positive on the *stock. The shares improved* 6¼ to 704½p. Also wanted was HSBC, after a recommendation from NatWest Securities. The shares ended the session up 21¼ to 1122½p.

Kingfisher added 11 to 668½p with modest buying ahead of results next week while Boots slipped 3 to 617½p.

J. D. Wetherspoon climbed 35 to 982½p *following preliminary* results well ahead of expectations, with a strong programme of new pub openings.

Allied Domecq continued to strengthen, rising 3 to 468½p in the wake of the sale of its stake in Carlsberg –Tetley to Bass.

FINANCIAL TIMES EQUITY INDICES

	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29	Yr ago	*High	*Low
Ordinary Share	2796.0	2786.7	2807.7	2797.3	2805.7	2666.5	2885.2	2666.8
Ord. div. yield	4.06	4.08	4.05	4.06	4.05	4.02	4.22	3.76
P/E ratio net	*16.99*	*16.89*	*17.02*	*16.98*	*17.00*	*15.95*	*17.25*	*15.80*
P/E ratio nil	16.83	16.73	16.86	16.80	16.84	15.76	17.03	15.71

Ordinary Share Index since compilation: High 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2804.9	2807.3	2809.9	2811.2	2808.0	2805.2	2806.4	2801.0	2796.7	2811.8	2795.6

	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29	Yr ago
SEAQ bargains	31,204	29,984	27,695	31,732	35,751	28,866
Equity turnover (£m)†	-	1906.7	922.2	1547	2240.8	1392.0
Equity bargains†	-	32,659	31,041	35,417	40,071	27,281
Shares traded (mil)†	-	590.3	369.2	521.7	692.7	732.4

†Excluding intra-market business and overseas turnover.

	Sep 4	Sep 3	Sep 2	Aug 30	Aug 29	Yr ago	*High	*Low
FT-SE AIM	1087.40	1071.80	1083.70	1082.40	1086.30	-	1146.49	985.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	679	Total Highs	59	Total contracts	20,482
Total Falls	802	Total Lows	55	Calls	6,832
Same	1,700			Puts	13,630

Sept 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3889.0	3885.0	+15.0	3896.0	3878.0	10979	55637
Dec	3911.0	3906.5	+15.5	3914.0	3902.0	2544	10157
Mar	-	3918.0	+15.0	-	-	0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4400.0	4400.0	+11.0	4400.0	4400.0	61	3599
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3873) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 1,157 Puts 3,105 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

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FT-SE Actuaries Share Indices — The UK Series

	Sep 4	Day's chge%	Sep 3	Sep 2	Aug 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3872.7	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	4406.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1939.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1917.11	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	3.85	[illegible]	16.54	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Sep 4	Day's chge%	Sep 3	Sep 2	Aug 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	[illegible]										
12 Extractive Industries(5)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(15)	[illegible]										
20 GEN INDUSTRIALS(274)	[illegible]										
21 Building & Construction(34)	[illegible]										
22 Building Matls & Merchs(28)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(16)	[illegible]										
25 Electronic & Elect Equip(36)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(14)	[illegible]										
28 Paper, Pckg & Printing(25)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(91)	[illegible]										
32 Alcoholic Beverages(6)	[illegible]										
33 Food Producers(24)	[illegible]										
34 Household Goods(15)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(252)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & Hotels(24)	[illegible]										
43 Media(40)	[illegible]										
44 Retailers, Food(14)	[illegible]										
45 Retailers, General(44)	[illegible]										
47 Breweries, Pubs & Rest.(25)	[illegible]										
48 Support Services(40)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(11)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(11)	[illegible]										
69 NON-FINANCIALS(645)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks, Retail(8)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(22)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(20)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FT-SE-A ALL-SHARE(900)	1917.11	+0.4	[illegible]								
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 Day's high: [illegible] Day's low: [illegible]. FT-SE 100 1996 High: [illegible] Low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Italel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	Sep 4	Sep 3	Sep 2	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	16008.16	15750.35	18861.95 20/5	16297.25 22/8
Australia					
All Ordinaries(1/1/80)	2258.5	2244.6	2256.7	2328.09 25/4	2086.10 17/7
All Mining(1/1/80)	992.1	990.0	997.7	1118.46 8/5	984.90 16/7
Austria					
Credit Aktien(30/12/84)	352.32	349.64	353.17	394.99 31/5	349.64 3/9
Traded Index(2/1/91)	1030.23	1022.37	1033.38	1142.51 29/5	976.27 2/1
Belgium					
BEL20(1/1/91)	1727.74	1717.16	1718.47	1773.26 28/5	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u)	62700†	62325	66622.00 12/7	43981.00 2/1
Canada					
Metals Minls(1975)	(u)	5251.53	(c)	5824.60 8/5	4887.47 18/1
Composite(1975)	(u)	5151.89	(c)	5246.49 31/5	4738.70 15/1
Portfolio(4/1/83)	(u)	2508.06	(c)	2685.55 27/5	2327.38 12/1
Chile					
IPSA Gen(31/12/80)	(u)	5289.51	5298.65	5804.33 8/1	5215.28 8/4
Denmark					
Copenhagen SE(3/1/83)	423.83	421.41	423.54	424.40 28/8	368.40 2/1
Finland					
HEX General(28/12/90)	2104.36	2100.14	2133.75	2147.89 29/8	1881.67 10/1
France					
SBF 250(31/12/90)	1361.55	1352.90	1357.82	1467.59 6/5	1280.18 2/1
CAC 40(31/12/87)	1984.77	1971.43	1976.86	2146.79 30/4	1887.86 11/1
Germany					
FAZ Aktien(31/12/58)	897.16	892.34	893.89	911.74 5/7	848.56 2/1
Commerzbank(1/12/53)	2584.80	2570.20	2582.90	2627.80 5/7	2370.10 2/1
DAX(30/12/87)	2532.38	2510.77	2532.86	2563.49 5/7	2284.86 2/1
Greece					
Athens SE(31/12/80)	934.31	930.84	938.91	1017.98 4/3	872.98 7/8
Hong Kong					
Hang Seng(31/7/64)	11076.95	10957.18	11106.57	11594.99 16/2	10204.87 2/1
India					
BSE Sens.(1979)	3518.90	3484.68	3582.96	4069.26 18/6	2826.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	546.00	540.54	545.02	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2528.5	2518.32	2535.18	2585.19 18/6	2234.61 2/1
Italy					
Banca Comm Ital(1972)	588.51	584.12	592.84	674.16 20/5	572.21 27/3
MIB General(2/1/95)	997.0	990.0	1004.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20201.87	20198.15	20107.11	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	287.01	287.85	287.04	318.70 26/6	284.48 11/3
Topix(4/1/68)	1540.99	1546.12	1539.67	1722.13 28/6	1524.12 13/3
2nd Section(4/1/68)	2110.83	2114.77	2113.64	2281.48 2/7	1982.76 14/3
Malaysia					
KLSE Comp.(4/4/86)	1105.42	1093.32	1106.20	1199.54 30/4	983.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3268.99	3309.58	3433.75 27/8	2738.38 8/3
Netherland					
CBS TrRtnGen(End 83)	637.0	632.2	635.50	662.80 12/6	530.98 2/1
CBS All Shr(End 83)	378.5	373.7	375.6	387.10 12/6	328.79 2/1
New Zealand					
Cap. 40(1/7/86)	2237.73	2223.09	2215.72	2249.49 29/8	2025.14 7/5
Norway					
Oslo SE(Ind)(2/1/83)	1381.91	1387.38	1378.80	1409.71 12/6	1269.86 30/1
Philippines					
Manila Comp(2/1/85)	3197.80	3207.89	3249.38	3374.49 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1988.57	1975.07	1975.73	1988.57 4/9	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	528.89	528.84	530.14	618.37 5/2	522.15 30/7
South Africa					
JSE Gold(28/9/78)	1802.3¶	1806.3	1799.9	2030.49 29/5	1346.40 2/1
JSE Ind.(28/9/78)	7943.6¶	7858.9	7811.8	8739.30 25/1	7636.80 30/8
South Korea					
KoreaCompEx**(4/1/80)	781.84	789.80	774.26	986.84 7/5	763.36 28/8
Spain					
Madrid SE(30/12/85)	349.32	352.01	354.45	376.26 1/7	323.75 11/1
Sweden					
AffarsvardenGen(1/2/37)	(u)	1993.9	2006.4	2019.66 6/8	1706.69 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1737.46	1734.48	1747.76	1811.86 11/7	1518.99 17/1
SBC General(1/4/87)	1228.39	1224.41	1234.46	1294.69 11/7	1114.47 28/1
Taiwan					
Weighted Pr.**(30/6/66)	6228.78	6257.97	6342.17	6690.41 29/6	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	1049.74	1064.45	1066.23	1415.04 6/2	1049.74 4/9
Turkey					
Istanbul Comp.(Jan 1986)	63486.4	62561.0	62275.8	73631.39 9/7	38778.39 2/1
WORLD					
MS Capital Intl(1/1/70)	758.4*	756.8	756.6	763.20 1/7	725.98 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1637.93	1630.68	1640.34	1709.76 4/7	1594.49 11/1
Euro Top-100(26/6/90)	1408.9	1400.09	1409.74	1458.36 28/4	1333.01 11/1
HSBC JC Dragon(31/12/88)	(u)	366.28	371.04	383.16 16/4	344.19 2/1
MS [illegible](7/1/92)	158.08	157.33	156.76	165.91 4/7	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Sep	1984.0	1992.0	+15.0	1994.0	1982.0	11,311	32,427
Oct	1988.5	1997.0	+15.5	1995.0	1988.5	1,673	3,387
DAX							
Sep	2540.5	2529.5	-3.0	2541.5	2525.0	16,892	-
Dec	2557.0	2547.5	-2.5	2558.5	2544.0	474	-
OMX							
Sep	1560.00	1554.00	+5.00	1561.00	1544.50	3,770	22,148
Oct	1561.50	1561.50	+14.00	1561.50	1561.50	10	1,282
BOFFEX							
Sep	3844.9	3840.0	+15.5	3848.0	3827.1	4,554	25,071
Oct	3848.0	3843.0	-26.5	3848.0	3846.5	84	676

** Sat Aug 31: Taiwan Weighted Price 6324.60; Korea Comp Ex 781.49. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Sep 4 - 2528.18 -2.55.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Dow Jones	Sep 3	Aug 30	Aug 29	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5648.39	5616.21	5647.65	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.53	101.82	101.76	106.09 (14/2)	100.99 (16/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2025.86	2044.78	2067.34	2298.20 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	12.32 (8/7/32)
Utilities	215.20	214.36	216.32	234.80 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5687.99 (5659.66) Low 5560.37 (5571.45) (Theoretical◆)
Day's high 5650.98 (5646.64) Low 5561.46 (5588.47) (Actual◆)

Standard and Poors	Sep 3	Aug 30	Aug 29	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	654.72	651.99	657.40	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	774.05	770.39	776.52	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	68.14	67.86	68.58	70.88 (22/8)	58.67 (10/1)	70.88 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	351.76	350.90	353.36	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	557.79	559.86	561.34	614.98 (22/5)	525.80 (16/7)	614.98 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1142.29	1141.50	1145.03	1249.14 (6/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 30	Aug 23	Aug 16	Year ago
Dow Jones Ind. Div. Yield	2.25	2.21	2.18	2.46
	Aug 28	Aug 21	Aug 14	Year ago
S & P Ind. Div. yield	2.02	2.02	2.04	2.07
S. & P Ind. P/E ratio	21.77	21.74	22.04	18.68

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Pepsico	7,231,000	28⅝	-⅛
Nationsbk	4,724,900	84	-1⅛
HFS	3,613,400	56⅝	-3¼
Fed Natl	3,451,800	31⅛	+⅛
Coca Cola	3,128,800	50⅝	+⅞
Hanson	3,102,100	12¼	-⅛
Hewlett-Pk	2,554,800	44⅝	+⅛
Chase Mhn	2,294,700	75¼	+⅞
IBM	2,207,800	115⅝	+1
Arcadian	2,148,300	24⅝	+2⅝

■ TRADING ACTIVITY

● Volume (million)

	Sep 3	Aug 30	Aug 29
New York SE	325.733	258.946	321.092
Amex	17.894	13.748	15.557
NASDAQ	402.525	342.985	429.203
NYSE			
Issues Traded	3,171	3,136	3,184
Rises	1,019	805	742
Falls	1,389	1,473	1,631
Unchanged	753	858	811
New Highs	51	32	50
New Lows	39	27	30

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	650.80	653.75	-2.10	658.75	653.75	99,657	161,519
Dec	-	659.70	-2.10	661.60	659.70	12,559	37,454

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	20250.0	20190.0	-80.0	20320.0	20060.0	23,270	191,016
Dec	20290.0	20200.0	-50.0	20330.0	20100.0	20,775	129,921

Open interest figures for previous day.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, September 4, 1996

	Stocks Traded	Closing Prices	Change on day
Fuji Kosan	6.8m	502	+42
NKK Corp	5.6m	289	-2
Nippon Steel Cp	4.6m	347	+3
Kobe Steel	4.5m	285	+2
TYK Corp	4.5m	1610	+110
Toshiba Corp	4.2m	697	-12
Nippon Credit Bk	3.5m	375	-1
Mitsui Matushima	3.2m	690	-2
Hoko Fishing	2.8m	481	-31
Kawasaki Kisen	2.8m	311	+8

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 4

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
23¾	17¾	AAR	0.48	2.2	21	289	21¾	21½	21½	
40⅛	36⅛	AMP	1.00	2.8	18	2115	38	37⅛	38	+⅝
97½	66	AMR			16	5018	82	80	80	-2
50½	37⅛	ASA	2.00	5.0	28	371	39⅞	39	39⅞	
47¾	38⅛	AbbtL	0.96	2.1	20	7070	46⅛	45	45⅞	+⅜
17¾	12¾	AbitibiPr x	0.40	3.0	6	288	13⅝	13½	13½	
20¾	13½	ABM Ind	0.35	2.1	17	340	17¼	16¾	16¾	-¼
18⅝	13⅞	Acpticaln			38	88	17⅞	17½	17⅝	+⅜
50⅞	37¾	ACE Ltd	0.58	1.2	11	788	47	46⅛	47	+⅝
10⅛	9⅛	ACM Gvt In x	0.90	9.0	8	184	10	9⅞	10	
7⅞	6⅝	ACM GvOpp x	0.57	8.4		211	6⅞	6¾	6¾	-⅛
7¼	6	ACM Gvt Sp x	0.66	10.0		257	6⅝	6½	6⅝	-⅛
9⅛	8¼	ACM Gvt Se x	0.90	10.1		211	8⅞	8¾	8⅞	+⅛
9⅝	8⅜	ACM Muo x	0.90	9.6		189	9½	9⅜	9⅜	-¼
13⅞	6⅛	Acme Elect	0.32	4.6	116	193	7½	7	7	-⅜
17½	13⅞	Acme Mills			9	58	15	14¾	14¾	-¼
33¾	27¾	Acordia x	0.72	2.3	18	32	30⅞	30⅝	30¾	
21⅜	12	Acuson			68	1525	13⅞	13½	13¾	
19½	17⅞	Adams Expr	0.48	2.5	0	445	19	18⅞	19	+⅛
21¼	10¼	AdvMic			8	1932	12¾	12½	12⅝	+⅛
11⅛	8½	Advest Grp	0.18	1.8	7	128	9⅞	9⅞	9⅞	+⅛
28⅛	9¼	Advo Inc	0.10	1.05	18	253	10⅜	10	10⅜	+⅜
51⅜	41⅛	Aegon	1.46	2.9	15	63	49⅞	48½	48½	
6¾	3½	Aerfla			3	84	5¼	5⅛	5¼	+⅛
69½	57⅝	Aetna	0.80	1.2	7	10182	67⅜	64⅝	67⅛	+2⅛
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Continued on next page

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4 pm close September 4

NYSE PRICES

Continued from previous page

Price data supplied by Telekurs

FT Free Annual Reports Service

NASDAQ NATIONAL MARKET

4 pm close September 4

AMEX PRICES

4 pm close September 4

AMERICA

Dow steady ahead of employment data

Wall Street

US shares were mostly flat at midsession as investors awaited data on employment growth, due tomorrow, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 3.33 at 5,645.06, the Standard & Poor's 500 was 0.49 lower at 654.23, and the American Stock Exchange composite fell 0.44 at 557.35. NYSE volume was 200m shares.

Military tensions between the US and Iraq appeared to exert little pressure on the equity market. The performance of the three oil companies in the Dow was mixed on the heels of the sharp gains made on Tuesday as crude oil prices soared. Although oil-related futures prices continued to rise as the US launched further attacks on Iraq, Chevron lost $⅝ at $59¼, Exxon was unchanged at $83⅝ and Texaco rose $⅛ at $91⅞.

Elsewhere, Office Depot jumped $4 or 25 per cent to $19⅝ after it announced it had agreed to merge with Staples, a competing office supply retailer, for about $20¼ a share in stock.

Shares in Staples lost $1⅛ or 7 per cent at $18 on the news. Shares in OfficeMax, the third largest office retailer after Staples and Office Depot, slipped $⅝ or 3 per cent to $13⅝.

Rubbermaid lost $3⅜ or 14 per cent at $22⅝ after the home products company said it expected third quarter figures to be flat. Rubbermaid also announced it had agreed to buy Graco Children's Products for $320m in cash.

Digital Equipment continued Tuesday's fall when it sounded a cautious note about earnings for the quarter finishing at the end of this month. The high technology company fell another $⅞ after Tuesday's decline of $1⅞, bringing the shares to $36⅝.

Canada

TORONTO made a steady start with the TSE composite index 6.41 higher by noon at 5,158.30 in volume of 36.8m shares.

Resource stocks again supplied most of the underpinning, notably oil shares which stayed in demand following the recent jump in crude prices.

Among individual issues, Laidlaw led the activity charts, racking up volume of 1.7m shares at the outset. The stock was showing a gain of 25 cents to C$13.40. Positive results from its diamond drilling in South Africa boosted SouthernEra Resources, lifting the shares C$1.70 to C$10.60.

Latin America

MEXICO CITY climbed in mid-morning trade on expectations that primary rates had peaked after Tuesday's rise, and on a delayed reaction to New York's rally, late on Tuesday.

The IPC index was up 40.90 to 3,307.89.

SAO PAULO was weak in quiet trade, with the Bovespa index off 128 at 62,573 at midsession.

EUROPE

Olivetti takes a rollercoaster ride

Olivetti took a rollercoaster ride in MILAN as the timing of the departure, late on Tuesday, of the group chairman, Mr Carlo De Benedetti, took investors by surprise.

The shares rocketed 10 per cent higher to an early suspension before the trading ceiling was widened to 15 per cent. Later the shares pushed up 13 per cent to a high of L820, at which stage many investors took the opportunity to make a hasty exit.

By the close, Olivetti was L24 higher on the day at L750 as news of the company's first-half loss, more restructuring and rising debt gave cause for thought.

The rest of the market put in a sluggish performance which took the Comit index 4.39 higher at 588.51. Fiat, down L24 to L4,464, continued to slide while Montedison was L9.5 weaker at L945.

PARIS moved ahead as a combination of bargain hunting and solid corporate news pulled share prices out of a five-day downswing.

Volume stayed low but brokers reported clear patches of genuine demand. The CAC-40 ended at 1,964.77, up 13.34.

Carrefour, the retailer, raced ahead by more than 4 per cent following strong first-half sales figures. The company was due to announce interim profits last night and with analysts predicting bumper numbers the stock put on FFr112 to FFr2,697.

The oil majors stayed in demand. The interim results from Total were in line with broker forecasts and the shares put on 50 centimes to FFr385. Elf-Aquitaine, which announces first-half figures today, added 70 centimes to FFr382.5.

Pernod Ricard fell steeply, shedding FFr5.4 to FFr298.6 after rumours of a duty increase next year swept through the market.

Valeo shot forward on talk of imminent corporate activity. A 28 per cent stake in the car parts group held by Mr Carlo De Benedetti's holding company, Cerus, was widely thought to be up for sale. The shares ended FFr2.10 better at FFr258.

FRANKFURT traded narrowly in dull volume with most investors content to sit on the sidelines until a clearer picture of the international situation emerged.

The Dax closed 2.55 lower at 2526.18 on an Ibis-indicated basis, but the sluggish overall pattern of trading masked a number of special features, notably among building stocks and at car giant, Volkswagen.

A breakthrough deal with Brussels in its long running row over plant subsidies lifted Volkswagen and the shares finished Dm3.80 ahead at Dm541.90.

The building leaders, Hochtief and Bilfinger and Berger, led the day's performance charts with the former rising more than 4 per cent. Bilfinger picked up a German rail contract but the real upward drive yesterday came from signs that investors were beginning to bet on a third-quarter revival in building output.

AMSTERDAM made a modest recovery in light volume with the main driving force coming from the two market heavyweights, Royal Dutch Shell and Unilever. The AEX index finished 3.18 better at 554.16.

Riding the latest mini-boom for oil prices, Royal Dutch Shell gained a further Fl 3.80 to Fl 256. Unilever added Fl 6.40 to Fl 248.90 as analysts warmed to the prospect of a programme of non-core disposals.

ZURICH was dominated by trade in Roche, whose certificates recovered from an early fall below SFr9,000 but still finished SFr15 weaker on the day at SFr9,040 after a downgrade from Merrill Lynch. Roche bearers, however, jumped SFr350 to SFr15,300 with BZ Bank said to be an active buyer.

The broader market edged higher, with the SMI index 10.3 up at SFr3,634.2, but in hesitant trade ahead of tomorrow's US jobless data.

Registered shares of Sulzer fell SFr14 to SFr728 as the machine manufacturer met expectations of a near doubling of first-half profits, but warned of problems at its textile machine division and adopted a cautious view on the outlook.

MADRID was pulled back by a sharp tumble in Gas Natural after the government approved a much lower than expected increase in gas prices and a fall in the tariff next year. Gas lost Pta2,380 to Pta21,580, contributing to a 2.69 fall in the general index to 349.32.

WARSAW was weak for a second straight session but in higher turnover which, analysts said, suggested that the market could be entering a correction phase. The Wig index fell 87.8 to 13,882.3.

ISTANBUL rose 1.5 per cent as investors decided that the 3 per cent slide over the previous week had gone far enough. The IMKB-100 index added 925.45 to 63,486.46, with the advance fuelled by Tuesday's satisfactory treasury auction and as investors discounted the US-Iraq tensions.

Written and edited by Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Sep 4 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1636.58	1637.10	1637.60	1638.39	1636.60	1638.14	1638.00	1637.93
FT-SE Eurotrack 200	1711.89	1712.22	1713.65	1713.56	1713.28	1712.78	1711.71	1712.83

	Sep 3	Sep 2	Aug 30	Aug 29	Aug 28
FT-SE Eurotrack 100	1630.66	1640.35	1642.17	1665.54	1660.30
FT-SE Eurotrack 200	1702.87	1712.88	1712.35	1724.74	1732.81

Base value 1000 (26/10/90) Highs/day: 100 - 1639.20 200 - 1714.26 Low/day: 100 - 1636.10 200 - 1709.73 † Partial.

S Africa stocks push higher

Johannesburg romped higher in active trading as local institutional investors surprised brokers with a rare buying foray. The overall index gained 66.8 to 6,771.9. Industrials rose 84.7 to 7,943.6 but golds eased 4.0 to 1,802.3.

Local brokers attributed the day's performance to the view that institutional investors were impressed by Wall Street's overnight resilience in the face of the US attack on Iraq, and more importantly to some, predictions of higher US interest rates.

Selective bargain-hunting by the South African funds managers and banks saw daily volume climb to a robust R469m, and also served to snatch control of the market from futures arbitrageurs who have dominated the bourse recently. Among individual shares, Anglos rose 350 cents to R276.50 but Freegold lost 75 cents to R49.75.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 30th 1996	% Change over week	% Change on Dec '95	Local currency terms: August 30th 1996	% Change over week	% Change on Dec '95
Latin America	(249)	524.72	-0.6	+11.2			
Argentina	(31)	782.10	+2.1	-2.4	479,202.44	+2.1	-2.5
Brazil	(68)	366.28	+1.2	+20.0	1,392.87	+1.3	+25.4
Chile	(43)	702.08	-1.6	-6.2	1,155.34	-1.6	-5.3
Colombia[1]	(15)	595.24	-0.9	-0.5	1,098.48	-0.3	+4.7
Mexico	(86)	540.91	-3.2	+19.4	1,769.04	-1.9	+17.5
Peru[2]	(21)	223.23	+2.1	+13.2	337.09	+2.2	+21.4
Venezuela[3]	(5)	513.25	+0.5	+53.5	5,608.10	+0.5	+114.8
Asia	(632)	251.47	+0.1	+8.3			
China[4]	(24)	59.54	-3.5	+10.1	62.43	-3.5	+9.9
South Korea[5]	(145)	98.26	+0.7	-22.0	105.82	+0.8	-17.6
Philippines	(35)	309.84	-1.8	+19.4	392.08	-1.6	+19.2
Taiwan, China[6]	(83)	144.70	+2.3	+28.3	149.19	+2.2	+29.1
India[7]	(76)	91.41	+1.4	+13.8	115.81	+1.6	+15.4
Indonesia[8]	(44)	110.15	-0.0	+0.4	140.15	-0.1	+2.9
Malaysia	(123)	315.86	+0.0	+16.5	290.78	+0.1	+14.4
Pakistan[9]	(25)	232.16	-2.7	-4.3	376.54	-2.4	-0.1
Sri Lanka[10]	(5)	92.92	+0.4	-10.7	112.72	+0.1	-8.8
Thailand	(72)	304.50	-0.8	-19.0	305.97	-0.8	-18.6
Euro/Mid East	(238)	137.26	+2.8	-3.1			
Czech Rep	(5)	75.90	+2.3	+26.5	65.43	+0.4	+23.0
Greece	(47)	260.23	+1.0	+7.7	416.62	+0.7	+7.6
Hungary[11]	(8)	180.62	+3.7	+83.5	328.04	+3.5	+102.7
Jordan	(8)	174.00	+2.9	-5.8	259.97	+2.9	-5.7
Poland[12]	(22)	743.78	+0.3	+74.5	1,282.08	+0.2	+93.6
Portugal	(26)	135.46	+1.1	+17.0	141.10	+0.5	+18.7
South Africa[13]	(63)	220.58	+3.9	-14.5	204.38	+2.7	+5.2
Turkey[14]	(54)	133.79	-0.4	+28.0	5,453.74	-0.2	+82.5
Zimbabwe[15]	(5)	379.45	-1.3	+38.1	577.96	+1.1	+53.3
Composite	(1119)	293.09	+0.4	+6.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1922; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

A rush to buy blue chips ahead of next month's expansion of the foreign shareholding limit took Seoul 2.9 per cent higher in volume that picked up to an active 28.6m shares from Tuesday's thin 16.4m.
Eagerly awaited confirmation that the foreign shareholder ceiling would be raised to 20 per cent for most stocks from October 1, from the present 18 per cent, came from the finance ministry after the market had closed on Tuesday.
Analysts noted that shares which hit their upper limits yesterday were all domestic consumption related, including those in the telecommunications and utilities sectors, together with city banks.
They added that the market was too preoccupied with the foreign investment ceiling to worry about events in Iraq, and the composite index finished 21.84 higher at 791.64.
Kepco led the market's rise, soaring Won1,400 to its limit high of Won25,800 while Korea Mobile Telephone jumped Won32,000 to Won577,000.
One broker forecast that the index could shortly test the 800 point level, but would then face selling pressure.
He noted that an overhang of margin loans which must be repaid this month loomed over the market, while four companies planned to launch initial public offerings today.

ASIA PACIFIC

Bargain hunters give support to Nikkei

Tokyo

Bargain hunting of steels and petroleum-related stocks underpinned the market and the Nikkei index closed almost flat in spite of selling prompted by the Gulf crisis, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed up 3.72 to 20,201.87 after moving between 20,066.02 and 20,307.07. The Topix index of all first section stocks fell 5.13 to 1,540.99 and the Nikkei 300 lost 0.84 to 287.01.

In London, the ISE/Nikkei 50 index edged up 0.33 to 1,374.41.

Volume totalled 257m shares against 264m. Reports that the US had launched its second missile attack on Iraq dampened sentiment in early trading.

However, purchases of steels, shipbuilders and petroleum-related stocks on higher crude oil prices lent support.

Of the stocks listed on the first section, losers exceeded winners by 631 to 408, with 201 issues remaining unchanged.

A sharp rise in crude oil prices pushed up Arabian Oil Y170 to Y4,770. Other petroleum refiners and distributors were also firm with Teikoku Oil rising Y15 to Y701 and Showa Shell Sekiyu adding Y20 to Y1,070.

Shipping stocks were also higher on the US attack. Nippon Yusen gained Y2 to Y575, Mitsui OSK Lines added Y8 to Y332 and Kawasaki Kisen increased Y8 to Y311.

Electricals were lower on reports that leading companies would revise down their earnings forecasts due to a decline in semiconductor prices. Hitachi fell Y7 to Y987, Toshiba lost Y12 to Y697 and NEC declined Y10 to Y1,160.

Steel stocks, meanwhile, discounted concerns of lower profits, and gained ground on buying by banks and other financial institutions. Nippon Steel rose Y3 to Y347, Kawasaki Steel gained Y3 to Y363 and Sumitomo Metal Industries advanced Y9 to Y314.

Nippon Credit Bank slipped Y1 to Y375 on oversupply concerns following its announcement of the issue of Y51bn in preferred shares to boost its capital ratio.

Other banks were also weaker with Industrial Bank of Japan falling Y10 to Y2,300, Fuji Bank losing Y10 to Y2,010 and Sumitomo Bank retreating Y30 to Y1,940.

In Osaka, the OSE average fell 44.86 to 21,280.78 in volume of 30.8m shares. Nintendo, the video game maker, rose Y90 to Y6,730 on the higher dollar.

Roundup

A reassessment of the US-Iraq conflict, and the conclusion that it was unlikely to have much impact on corporate earnings, enabled HONG KONG to rebound, regaining most of Tuesday's losses.

The Hang Seng index advanced 119.77 to 11,076.95, in turnover that eased to HK$3.9bn.

While the finance sub-index led the blue chips with a gain of 1.4 per cent, H shares made the biggest advance, with the Hang Seng China Enterprise Index rising 2 per cent. Wharf, which reported net profits of HK$1.3bn for the first half of 1996, advanced 75 cents to HK$28.95 in heavy turnover of HK$95.8m.

KUALA LUMPUR shrugged off the second US missile attack on Iraq, and the composite index ended 12.10 higher at 1,105.42.

Speculative buying pushed up stocks linked to the businessman, Vincent Tan. Unza jumped M$6.05 to M$26.25 on rumours that an asset reshuffle was planned.

SYDNEY shares ended four days of straight decline, rebounding strongly on the back of an improving bond market and strong futures. The All Ordinaries index closed 0.62 per cent higher, up 13.9 at 2258.5. Banks were the best performing sector, adding 1.67 per cent. National Australia Bank gained 22 cents to A$12.28 and WestPac gained 15 cents to A$6.17.

WELLINGTON shares closed higher in good volume with investors taking their cue from the strong overnight performance on Wall Street.

The top 40 index closed 14.65 ahead at 2,237.73 on volume of NZ$71m.

BANGKOK stocks moved lower with sentiment depressed by a downgrade of Thailand's short-term credit rating.

The SET index ended the day 14.71 points down at 1,049.74.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Sep 3 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Sep 2 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (78)	202.57	-0.2	191.55	139.94	156.33	170.05	-0.6	4.45	203.06	193.04	140.12	156.97	170.98	212.18	179.77	184.89
Austria (24)	178.00	-0.6	168.32	122.97	137.37	137.30	-0.8	2.05	179.10	170.26	123.59	138.45	138.37	195.04	168.11	184.29
Belgium (27)	214.85	0.4	203.16	148.43	165.81	162.03	0.4	4.11	213.92	203.36	147.61	165.36	161.43	218.69	187.17	189.48
Brazil (28)	179.06	0.6	169.32	123.70	138.19	335.04	0.7	1.95	177.95	169.16	122.79	137.56	332.86	189.70	123.97	161.73
Canada (118)	162.97	0.2	154.10	112.58	125.76	161.63	0.2	2.22	162.65	154.62	112.24	125.73	161.27	165.12	134.14	145.92
Denmark (30)	317.47	-0.4	300.20	219.32	245.00	247.59	-0.6	1.85	318.68	302.95	219.90	246.34	249.03	321.04	276.89	279.46
Finland (23)	208.17	-1.9	196.85	143.81	160.65	196.66	-1.7	2.54	212.12	201.64	146.37	163.97	200.06	276.11	171.73	256.39
France (93)	187.42	-0.3	177.22	129.47	144.63	149.41	-0.4	3.25	188.01	178.73	129.74	145.34	149.96	196.39	167.70	175.74
Germany (58)	172.93	-0.7	163.52	119.46	133.45	133.45	-0.8	1.84	174.11	165.51	120.14	134.59	134.59	177.63	156.66	157.99
Hong Kong (59)	421.41	-1.2	398.48	291.12	325.21	418.39	-1.2	3.54	426.36	405.31	294.21	329.59	423.29	451.19	354.67	359.79
Indonesia (27)	189.20	-1.1	178.90	130.70	146.01	272.06	-1.0	1.75	191.25	181.81	131.97	147.84	274.83	-	-	-
Ireland (16)	286.62	0.0	271.03	198.01	221.19	248.58	-0.5	3.51	286.71	272.55	197.84	221.63	249.87	290.82	238.42	239.62
Italy (58)	73.55	-1.3	69.55	50.81	56.76	83.13	-1.4	2.59	74.50	70.82	51.41	57.59	84.28	84.53	67.22	78.21
Japan (481)	142.23	0.2	134.49	98.26	109.76	98.26	0.3	0.78	141.90	134.89	97.92	109.69	97.92	164.68	137.75	147.65
Malaysia (107)	542.75	-1.2	513.22	374.95	418.85	522.35	-1.0	1.73	549.19	522.07	378.96	424.52	527.44	585.09	425.77	511.52
Mexico (19)	1245.73	-1.8	1177.95	860.59	961.35	10331.56	-1.2	1.29	1268.20	1205.59	875.11	980.34	10460.36	1325.65	791.99	1158.04
Netherland (19)	297.04	-0.4	280.88	205.21	229.23	225.61	-0.5	3.28	298.28	283.54	205.82	230.58	226.78	304.24	249.34	249.61
New Zealand (15)	85.70	0.8	81.04	59.20	66.14	65.75	0.5	4.17	84.99	80.79	58.64	65.70	65.41	86.81	75.94	79.28
Norway (36)	248.20	-0.7	234.70	171.47	191.54	216.47	-0.9	2.09	249.98	237.64	172.50	193.24	218.52	256.94	222.24	227.89
Philippines (22)	204.61	-0.9	193.48	141.35	157.90	267.51	-1.0	0.59	206.45	196.26	142.46	159.59	270.23	-	-	-
Singapore (44)	390.85	-1.5	369.68	270.08	301.71	253.69	-1.4	1.50	396.85	377.26	273.84	306.77	257.42	465.21	360.49	367.82
South Africa (44)	340.31	-0.9	321.79	235.10	262.62	333.60	-0.6	2.28	343.39	326.44	236.96	265.45	335.50	437.76	314.20	347.47
Spain (37)	175.96	-0.3	166.38	121.56	135.79	167.11	-0.4	3.60	176.57	167.85	121.84	136.49	167.83	183.86	145.15	161.30
Sweden (46)	358.30	-0.4	338.81	247.53	276.51	352.14	-0.7	2.42	359.83	342.08	248.30	278.15	354.63	364.34	282.18	282.18
Switzerland (37)	245.21	-0.7	231.87	169.40	189.24	183.63	-0.8	1.61	246.83	234.64	170.32	190.80	185.15	254.34	200.23	200.23
Thailand (45)	140.11	-2.3	132.49	96.80	108.13	137.61	-2.3	2.48	143.37	136.29	98.93	110.83	140.81	193.95	138.75	186.57
United Kingdom (200)	244.64	-0.2	231.33	169.01	188.79	231.33	-0.7	4.12	245.16	233.05	169.17	189.51	233.06	247.51	220.57	220.90
USA (625)	266.86	0.3	252.34	184.36	205.94	266.86	0.3	2.21	265.98	252.85	183.54	205.61	265.98	276.47	230.24	230.24
Americas (790)	244.29	0.3	231.00	168.77	188.53	205.44	0.3	2.20	243.54	231.52	168.06	188.26	204.79	252.43	211.15	211.15
Europe (708)	212.81	-0.4	201.23	147.01	164.23	182.75	-0.7	3.12	213.70	203.15	147.46	165.20	184.02	216.98	180.88	180.88
Nordic (137)	310.57	-0.6	293.67	214.55	239.67	266.52	-0.8	2.31	312.57	297.14	215.68	241.62	268.74	315.35	261.13	271.62
Pacific Basin (878)	156.02	0.0	147.53	107.78	120.40	109.71	0.1	1.28	156.03	148.33	107.67	120.61	109.68	177.01	148.86	157.91
Euro-Pacific (1584)	179.55	-0.2	169.78	124.04	138.56	137.28	-0.3	2.18	179.92	171.04	124.16	139.08	137.68	190.57	166.51	171.55
North America (743)	260.55	0.3	246.37	180.00	201.07	259.91	0.3	2.21	259.71	246.89	179.21	200.76	259.08	269.52	225.01	225.02
Europe Ex. UK (508)	191.01	-0.5	180.62	131.96	147.41	155.33	-0.7	2.66	192.05	182.57	132.52	148.46	156.37	195.76	170.51	170.66
Pacific Ex. Japan (397)	280.77	-0.9	265.49	193.97	216.68	242.11	-1.0	3.14	283.34	269.36	195.52	219.03	244.44	296.68	243.59	256.00
World Ex. US (1793)	181.14	-0.2	171.28	125.14	139.79	142.02	-0.3	2.18	181.52	172.56	125.26	140.32	142.43	191.55	167.36	172.70
World Ex. UK (2218)	204.21	0.0	193.10	141.07	157.59	172.72	0.1	1.98	204.12	194.04	140.85	157.79	172.63	213.05	185.61	187.27
World Ex. Japan (1937)	243.05	0.0	229.83	167.91	187.57	228.79	-0.1	2.58	243.15	231.14	167.78	187.96	229.06	247.55	214.34	214.34
The World Index (2418)	207.68	0.0	196.38	143.47	160.27	177.92	0.0	2.19	207.64	197.39	143.28	160.51	177.96	214.95	188.87	190.21

CONSTITUENT CHANGE WITH EFFECT 5/9/96: Deletion: Diamond Field Resources (Canada). CONSTITUENT CHANGES WITH EFFECT 6/9/96: Deletion: Varity Corp (USA). Name change: Lucas Industries to LucasVarity (UK). Latest prices were unavailable for this edition.